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Declaration

This research paper is my own original work and has not been presented for a degree in any other university.

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This research paper has been submitted for external examination with our approval as university supervisors.

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Dedication

This is a special dedication to my parents ..... You have made me what I am and as an appreciation, this is for you!
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### Abbreviations

<table>
<thead>
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<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
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<tr>
<td>CFC</td>
<td>Chloflorocarbon</td>
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<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<td>DRC</td>
<td>Democratic Republic of Congo</td>
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<tr>
<td>FAC</td>
<td>East African Community</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<td>HDI</td>
<td>Human Development Index</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IPE</td>
<td>International Political Economy</td>
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<tr>
<td>KANU</td>
<td>Kenya African National Union</td>
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<tr>
<td>NARC</td>
<td>National Alliance Rainbow Coalition</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<td>ODM</td>
<td>Orange Democratic Movement</td>
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<td>PNU</td>
<td>Party of National Unity</td>
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<tr>
<td>PRGF</td>
<td>Poverty Reduction Growth Facility</td>
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<td>SADC</td>
<td>Southern African Development Community</td>
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<tr>
<td>SALW</td>
<td>Small Arms and Light Weapons</td>
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<tr>
<td>SAP</td>
<td>Structural Adjustment Programme</td>
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TNC  Transnational Company
TV   Television
UN   United Nations
UNDP United Nations Development Programme
USA  United States of America
USSR Union of Soviet Socialist Republics
CHAPTER ONE: Background to the study

Introduction

In the words of Amartya Sen, Development requires the removal of major sources of unfreedom poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation neglect of public facilities as well as intolerance or over activity of repressive states.¹ Economic development is not possible without growth but growth is possible without development because growth is just increase in GNP. It does not have any other parameters to it. When given conditions of population improves then we can say that this is also an indicator of economic Development.

As a concept, Economic development can be seen as a complex multi-dimensional concept involving improvements in human well-being; however defined Critics like Professor Dudley Seers point out that GDP is a narrow measure of economic welfare that does not take account of important non-economic aspects eg more leisure time, access to health & education, environment, freedom or social justice. Economic growth is a necessary but insufficient condition for economic development.²

For Kurtzman, developmental variations within a country have international dimensions.³ When a country's economy deteriorates, the crisis can spill over into other countries. The country may

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¹ Amartya Sen, *Development as freedom*, Oxford, Oxford University Press, 1999
no longer be able to provide its goods and services to other countries. Its trade and current account can suffer. And its population may migrate to countries where better opportunities and employment are available, providing cheap labor, but also creating cultural and social problems for the host country.⁴

The area of economic development has become a sensitive global issue in recent times and the resolution of this issue will profoundly affect the future of the planet. The intense desire of the majority of the human race to escape its dilapidating poverty and join the developed world is the determining feature of international politics. There is one central, simple question in the study of economic development: why are some countries developed, and others less so? In other words, what accounts for the phenomenal disparities in living standards around the world? In a related vein, will developing countries eventually catch up? If not, why not? If yes, how long will it take? Does policy have an important role in the process, or can development be left to the market?

Yet up to now there exists a controversy regarding the causes of and possible solutions to this problem. Robert Gilpin admits that, from early modern writers such as David Hume, Adam Smith and Alexander Hamilton to nineteenth-century luminaries such as David Ricardo, John Stuart Mill and Karl Marx to contemporary scholars, opinion has deeply divided over the interaction of economics and politics.⁵

⁴ Cf ibid.
For liberals (Adam Smith, Meier, Baldwin, Paul Samuelson and Milton Friedman), Marxists (Karl Marx, Friedrich Engels, Gordon Graig and Heilbroner) and Underdevelopment theorists (Nurkse, Gunar Myrdal, and Harms Singer), politics has a direct impact on economic development. Generally, their argument is that unstable political regimes hamper development, whereas stable political systems act as catalyst for development. Where they differ is their interpretation of a stable government. No wonder there is a strong bid for the whole world to be democratized. These studies suggest that political instability often leads to slower economic development.

After the repeal of Section 2a of the Kenyan constitution, it altered her political dynamics. Kenya was henceforth a multiparty state. Did this have any implication in the economic development? This is the task that lays a head of this paper. The paper will try to link the economic development trends and the political dynamics that followed the introduction of multiparty politics. As the paper discuses the politics-economy intrigues, it will be bringing on the surface the realization that the introduction of democracy in itself is not sufficient for economic development. It will cover the period between 1992 and 2008.

Statement of the Research Problem

The future of developing countries has become a global concern, more so in this period that the world has become a global village. However the controversy arises when it comes to the solution to making these developing countries attain the standards of the developed countries. Is it through free trade or fixing the political systems in place?
It does not matter which political system is in place: the question is do the people accept it and does this benefit them? Political stability is not synonymous to democracy. A country could be operating under a democratic system of governance but still be politically unstable and thereby adversely affecting the economic development. Kenya is a good example of this. It is therefore important at this point to ask, was the introduction of multiparty system of governance in itself enough for economic development?

In summary this paper is therefore going to investigate, whether the political space was expanded and also whether the economic situation of Kenya changed just by the mere fact that multiparty politics was introduced. It will do this by following up the economic development trends after the introduction of multiparty politics and linking it to the political situation of the time.

Research Objectives

**Overall Objective**

To show how political stability impacts on the economic development of a country.

**Sub-objectives**

1. To establish how political instability affected Kenya’s economic development after the introduction of the multiparty politics.
2. To show that what is required for economic development in Kenya is not a specific political system but political stability.
3. To establish which sectors of the Kenya’s economic development were greatly affected by political instability.

**Literature Review**

This literature review is divided into five parts. The first part will evaluate how development debate has evolved over time. This is crucial since it is one of the major variables in this paper. The second part will look into the various theories that surround the Politics-Economic Development debate. This is important since political economy has been viewed differently by different scholars. Therefore to understand one’s argument, it is crucial to understand to which school of thought one stands. Later it will look at the literatures that focus on different political intrigues, especially political freedom, democracy, and its effects on economic development. This is where the paper will focus at whether a political system alone enhances economic development or political stability is also required. Attention will also be given on the relationship between conflicts and economic development. This is important since many of the armed conflicts are in developing country. It is therefore important to look at its connection to economic development. The focus will then shift to Kenyan situation, since this is where the case study will carried out. At the end of every part there will be a review of the arguments that have been advanced.
Debate on Development: The Historical Perspective

There has never been consensus on what 'development' means. One way of understanding an idea is to look at its history, when it was first used, and how, over time, different people changed it, added to it or subtracted from it. In the West, development is associated with change. It was not always so. The Ancient Greeks, from whom much of the West's thinking springs, argued that all things have an essential and inherent nature and that life is a matter of cycles; all things that are born and grow will also fade and die, in a perpetual series of new beginnings. Arabic philosophers argued similarly.

Another early idea, that emerged in the explosion of scientific knowledge of the 17th and 18th centuries in Europe, was that if we want to understand something scientifically, we have to break it down into its smallest constituent parts. Nowadays, many think that this actually distorts our understanding of many things and situations, because they can only be understood as wholes and parts of larger systems. This tension still pervades development theory. This paper covers the period between 1992 and 2008 so it will concentrate on the years close to that period.

Development ideas in the 1970s

The 1970s started with concern about the environment and the limits to growth, but although there were plenty of declarations, there were also economic crises and, according to writer George Rist, the mood went from 'an almost revolutionary atmosphere' to 'pious wishes and

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7 Cf. ibid.
disenchantment. In the 1970s the South’s power seemed to be growing. The Third World argued that it was necessary to act on the causes of underdevelopment, especially on the transnational companies of the North which were ruthlessly exploiting the South. There was, in other words, an organized solidarity developing against the capitalist system and against repressive regimes. There was also within the North a growing concern about the effects of Northern-style development on the world as a whole.

In 1972, the United Nations held a major conference in Stockholm on the human environment and the idea that there were serious environmental ‘limits to growth’ and that nonrenewable natural resources were running out gained ground. At the same time there was an economic slowdown in growth with rising unemployment and widespread currency speculation. Also, many transnational companies broke up the production chain and began using cheap labour in developing or undeveloped countries, and more automation in their own countries, further reducing employment.

At the beginning of the 1970s, Robert McNamara, the then-President of the World Bank, argued for what he called a basic needs approach. He argued that developing countries had to give greater priority to nutrition, housing, health, literacy and employment. Very different groups (The World Bank, the ILO, the Third World Forum) all had their different reasons for supporting this approach mainly because it offered economic, political and even moral justification to

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intervene in the internal policies of a state. The problem was how to understand need in universal and cross-cultural terms when need depends on cultural perceptions.

Development in the 1980s

There were no major theoretical innovations in the idea of development in the 1980s. The decade was dominated by the structural adjustment policies of the World Bank, which said 'let's have adjustment first and development later'. The questions of 'adjustment' - to what and in whose interests - were, as usual, taken for granted. The basic idea was that the world economy was distorted because of bloated administrations, corruption, low productivity, tax evasion, poor prices for commodities, low levels of foreign investment, weapons buying, and so on. It seemed that governments, companies and individuals were living beyond their means.

Behind this was the currency problem. After the oil crisis, banks, especially American commercial banks, had to recycle petrodollars fast, so they lent money irresponsibly. It soon became obvious that debtors would not be able to repay loans, because western governments were allowing inflation and interest rates to rise. Debtors had to borrow to repay their debts, which is an impossible cycle to maintain. In 1982, Mexico could not repay its loans. This provoked a crisis in several US banks, and provoked the structural adjustment programmes. The idea was that trade balances had to be corrected. What this meant in practice was that many indebted countries were required to spend less on basic services, such as education and health.

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11 Bown L., *What Do We Mean By Development? ...a discussion document*, 1999, 80:20
Educating and Acting for a Better World, Ireland and Development Education Centre, Birmingham, p. 250.

12 Cf. ibid.
In 1989 the Berlin Wall fell, and subsequently the Soviet Union was broken up. The last alternative to capitalism was gone. However, there was one important major document of the 1980s. The Prime Minister of Norway, Gro Brundtland, chaired a UN commission that published its report, *Our Common Future*, in 1987. Whereas the Stockholm conference had considered the physical environment, the Brundtland Commission had to consider the environment and development together. This meant dealing with how rich and poor countries, in different ways and for different reasons, destroyed the environment. The problem was that it was the mode of industrial production—which seemed synonymous with development—that destroyed the environment, and yet how could one deny development to peoples who did not have decent living conditions? To solve this problem the Commission proposed the concept of sustainable development.

The Report failed to distinguish between the nature of renewable and non-renewable resources which has serious policy, and practical, implications. It did not offer theoretical innovations or practical propositions to make its hopes realisable. Ultimately, it did not question the notion of growth as an economic imperative leading to universal prosperity.

It suggested that the United Nations organise a conference (The Earth Summit of 1992) to review progress. The 1980s were dismal. The 1990s promised to be better. The Berlin Wall came down in 1989, the USSR broke up, and various dictatorships toppled. Hopefully, views from the bottom, or the voice of the Third World, or the South, would now be heard. But what would happen to the story of 'development'?

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1990s onwards

Until then, ideas of development had been dominated by the North or by international organisations, with the exception of dependency theory (Latin America) and the theory of self-reliance (Nyerere). In practice, industrial countries persisted in defending their own interests at international negotiations, and supporting Third World regimes that oppressed their own peoples. The World Bank, the IMF and transnational companies (TNCs) continued to impose conditions. In the hope that countries of the South could produce some new ideas, the then Prime Minister of Malaysia persuaded Julius Nyerere to undertake a commission, which was called The Challenge to the South: the Report of the South Commission and which was published in 1990.

Unfortunately, this report reflected the dominant ideas around development and reflected the impasse that the idea of development had reached. It described an ideal that does not exist anywhere in reality. It did not present any new key ideas and was quite contradictory. For example, it stressed the need for self-reliance and respect for indigenous cultures, but also stated that ‘the demands of economic growth are such that the South had to accelerate the pace of acquiring, adapting and using the stock of technological knowledge built up in the North’. Also, it acknowledged that disparities between North and South due to the power of the North, but still affirmed apparent ‘mutual interests’. It ended with the admission that it had not dealt with international political issues, which were probably the main issues at stake. Other major areas of focus in development thinking in the late 1990’s and early 2000’s were on the development and

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15 Cf. ibid.
implications of the UNDP's Human Development Index and its associated indices of human development, on sustainable development and on the role of civil society in development.¹⁶

**Measurement of Development: The UNDP Human Development Index**

In 1990 the Administrator of the UNDP initiated a project to revitalize the idea of development, especially as it related to human development. The project, led by Pakistani economist Mahbub ul Haq, produced the idea of a measurable Human Development Index (HDI) which has now become a core idea at the heart of current thinking on development itself. The HDI presented some valuable innovations. Until now, Gross National Product (GNP) had remained the main measure of development. The UNDP now proposed to include three variables for each country - income, life expectancy and level of education (to which the 1991 Report added human liberty).¹⁷

**Politics-Economic Development Debate: The Different Schools of Thought**

**Liberals**

Most Liberals contend that the key to economic development is the capacity of the economy to transform itself in response to changing conditions; they believe that the failure of most developing countries to adjust to changing prices and economic opportunities is rooted in their political systems.¹⁸ As Lewis has put it, any economy can develop if it has three simple ingredients: adequate rainfall, a system of secondary education and sensible government.¹⁹ To

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them, political corruption, a parasitic social and bureaucratic structure are prerequisites for economic development restraints.\textsuperscript{20}

Liberal economists argue that the basic obstacles to economic development are within the less developed countries themselves: the preponderance of subsistence agriculture, a lack of technical education, a low propensity to save, and inefficient government policies, which is brought about by bad politics.\textsuperscript{21} Liberal theory, however, have not specified the political framework within which economic development takes place, yet the process of economic development cannot be divorced from political factors.\textsuperscript{22}

For the liberals, therefore, is not why the poor are poor but, why certain societies have overcome the obstacles to economic development. The answer given is that these successful societies have permitted the market and all its activities to operate without any political interference.\textsuperscript{23}

Marxists

Marx and Engels were the first and foremost theorists of Western economic development; the bulk of their work was devoted to the transition of European society from feudalism to capitalism to socialism and to the elaboration of the inherent laws of capitalist development.
Lenin and later nineteenth-century Marxists subsequently extended these ideas when they formulated Marxist theory of capitalist imperialism.\textsuperscript{24}

They also developed what can be considered a theory of economic development applicable to the developing economies. When Marx turned his attention outside the European continent to Asia, the Middle East and elsewhere, he discovered his theory of European development did not apply. He therefore introduced the concept of “Asiatic mode of production.” He argued that this was characterized by the unity and relative autarky of agricultural and manufacturing production at the village level and the existence of the top society of an autonomous and parasitic state separated from the rest of the society.\textsuperscript{25} He believed that this conservative social structure was responsible for the social and economic stagnation suffered by those non-Western societies. Finding no internal forces to move these societies forward historically, Marx believed that the external force of Western imperialism was required.\textsuperscript{26}

For Marx, imperialism destabilizes the status quo through the introduction of modern technology and creates a set of opposed classes in the colonized areas, thereby implanting the mechanism that will move the society toward economic development. Although imperialism was immoral, Marx believed it was also a progressive force since without it, less developed economies of Asia and Africa world remain in their state of stagnation for ever. Lenin too regarded colonialism and neo-colonialism as progressive and necessary for the economic development of least developed countries.

\textsuperscript{24}Ibid. p. 270.
Underdevelopment Theorists

Underdevelopment theories advanced by scholars like Nurkse, Gunar Myrdal, and Harns Singer, have proliferated in response to the fact that, even tough the former European colonies have achieved political independence, they either have not developed or have at least remained economically subordinate to the more advanced capitalist economies. Underdevelopment theory places the responsibility for this situation on the external world economy and not on the less developed countries.

For these theorists, most of the countries in Africa, Asia, Middle East and Latin America to be economically and technologically dependent; they continue to export commodities and raw materials in exchange for manufactured goods and many have been penetrated by the multinational corporations of the economically developed countries. The essence of all underdevelopment theories is that the international capitalist economy operates systematically to underdevelop and distort the economies of the developing economies. They maintain that this is an inherent feature of the normal operations of the world market economy, and that the nature of the system is detrimental to the interests of developing countries.

Underdevelopment proponents contend that the rich who control the world economy are responsible for the poverty of the developing countries due to what Emmanuel (1972) has called the *unequal exchange*. They believed that reform of the international and a development
strategy based on import substitution would be a solution to these problems. Therefore the developing economies should industrialize rapidly and produce for themselves products formerly imported from the economically developed countries.

The Contribution of Colonialism to Economic Development

According to Acemoglu, Johnson and Robinson, the positive correlation between high income and cold climate is a by-product of history. Former colonies have inherited corrupt governments and geo-political boundaries (set by the colonizers) that are not properly placed regarding the geographical locations of different ethnic groups; this creates internal disputes and conflicts. Also, these authors contend that the egalitarian societies that emerged in colonies without solid native populations, and which could be exploited by individual farmers led to better property rights and incentives for long-term investment than those where native population was large, and together with the tropical climate, colonizers were led to plunder and ruin, and to create exploitative institutions, a situation which did not foster growth or private property rights. Colonies in temperate climate zones as Australia and USA did not inherit exploitative governments since Europeans were able to inhabit these territories and set up governments that mirrored those in Europe.30

All the above arguments explain, to some extent, the relationship that exists between politics and economic development. However, each argument cannot be considered on its own as the ultimate explanation to why there are different levels of economic development in respective countries. Liberals fail to acknowledge that there are external factors to why some countries are

lagging behind as far as economic development is concerned, something that is well covered by Marxists and underdevelopment theorists.

For the Marxists, they fail to recognize the negative contributions that were brought about by the colonialists. It is a fact that some European countries acquired their current economic development through slave trade and the raw materials that they acquired from their colonies, who are the developing countries. The underdevelopment theorists’ weakness is reading mischief in all the undertakings between the developed and the developing countries. Again it is a fact that there are some developing countries that have got genuine business relationship with developing countries. All in all, all the theorists agree that there exists a relationship between politics and economic development, be it at the local level or at the international political system. The nature of that relationship is what differs.

Political Intrigues and its Effects to Economic Development

Political freedom and Economic Development

According to Albert Mitchell, Seliyson and John Passé-Smith in their arguments expressed in the American Journal of Applied Sciences, Political freedom has only a weak impact on economic development but there is some indication of a non linear relationship. In countries with low level of political rights, giving additional rights stimulates economic development. However in countries that have a moderate level of democracy further improvement of political rights reduces economic development.

Seliyson and Passe-Smith, have summarized the findings of some studies which relate economic development and political regimes. Their study calls for further work. The influence political regimes wield on economic development depends on the level of democracy a country enjoys. In Africa and Middle East countries, it has been found, democracy positively influences economic development. Brazil failed to achieve success in economic liberalization due to the political reforms and democracy development. In Egypt, success of reforms has been credited to the political strength of the bourgeoisie. Indices of political instability include political assassinations, violent deaths, coups, revolutions, and political riots, indices of executive adjustments, major constitutional changes, and major government crises excluding revolts, politically motivated purges, war, and separatist movements. They all find that political instability is negatively correlated with economic development.

Gyimah-Brempong did a research in many of the Sub-Saharan African countries and concluded that: first, there is a statistically significant inverse relationship between political instability and economic development. According to him the higher the political instability the lower the economic development and vice versa. Second, the estimated system of equations indicates that economic development and political instability are jointly endogenous. Third, in addition to the direct impact that political instability has upon economic development, estimates confirm the

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13 Ibid.
14 Ibid.
15 Ibid.
16 Kennedy Gyimah-Brempong and TI. Traynor, Political instability, investment and economic growth in Sub-Saharan Africa, (Florida: University of South Florida, USA, 2000), pp.52-56.
hypothesis that political instability indirectly decreases economic development by decreasing long-run capital accumulation.

Smith, in *The Theory of Moral Sentiments*, made it clear that political states must take at least two steps before private business is encouraged: (a) provide the stability and balance of institutions needed to assume justice and security and (b) incorporate ethical standards in the culture as a whole. In other words, the policy is to provide the economy with stability and generate confidence about the fairness of the institutions before economic expansion can take place.37

As the systemic causes of political violence have come under scrutiny by sociopsychologists, sociologists, and political scientists, mounting statistical evidence has prompted economists to recognize the impact of such violence on the national economy and economic development.

Similarly, econometric studies done by Galor, Oded, Zeira and Joseph have demonstrated that the existence of political violence causes potential investors to stay away from the market.38 They did this by analyzing the role of income distribution in macroeconomics through investment in human capital. The study demonstrated that in the face of capital market imperfections the distribution of wealth significantly affects the aggregate economic activity.

Furthermore, in the presence of indivisibilities in investment in human capital, these effects are carried to the long run as well.\textsuperscript{39}

Hence, economic development is affected by the initial distribution of wealth, or more specifically by the percentage of individuals who inherit a large enough wealth to enable them to invest in human capital. Thus, this model showed the importance of having a large middle class for the purpose of economic development. According to them conflicts temper with the middle class and lowers the level of investment. This lack of investment will deprive the economy of its growth potential hence development. With export faltering, the need to import will go up, especially if the government feels the additional need to import military materials to bolster its security forces. Examples abound of countries facing foreign exchange problems resulting from prolonged internal strife.

**Democracy and Economic Development**

Halperin, Joseph Siegle, and Michael Weinstein contend that the causal link between democracy and development is a controversial issue.\textsuperscript{40} For them, although economists have long been interested in the factors that cause national economies to develop at different rates and achieve various levels of wealth, there is as yet no consensus on the impact of democratic freedom on economic development.\textsuperscript{41} One possibility is that free press and open public debate might expose actions by the government or the private sector that might otherwise hold development back.

\textsuperscript{39} Cf. ibid.


\textsuperscript{41} Ibid.
However, it can also be said that political and civil freedom make it harder for government to take tough but necessary decisions. The latter view is sometimes advanced to explain the economic success of countries like South Korea.

Several views on the relationship between democratic freedom and economic development have been advanced. Following Sirowy and Inkeles we label the various theoretical positions as the "conflict," the "comparability" and the "skeptical" perspective, respectively.

Essential to the conflict perspective is the claim that economic development is hindered by the democratic organization of the polity. In other words, democracy and economic development are seen as competing concerns. As Bhagwati puts it: "the political economy of development poses a cruel choice between rapid (self-sustained) expansion and democratic process." In this view, rapid economic growth requires an authoritarian regime that suppresses basic civil and political rights. He contends that democratic process is at times slow in decision making. To him this slows down the economic process. Authoritarian regime makes things move faster since it requires no consensus building before a decision is reached. He gives the example of the late president Park Chung Hee of South Korea. He seized control of political power by coup in 1961.

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and until he was assassinated in 1979, he acted both as dictator of South Korea's political order and as the founder of South Korean economic take-off.\(^{45}\)

Some proponents of the compatibility view do not stop at simply taking issue with insights of adherents to the conflict perspective, but to the contrary argue that democracy is just as efficient as competitive markets. The most forceful arguments have been provided by Wittmann.\(^{46}\) This author contests the view put forward by Becker\(^{47}\) that in a democracy interest groups compete for rents, each maximizing the net difference between benefits from policy measures taken and the costs of lobbying, which leads to an inefficient equilibrium both because lobbying is wasteful and because transfers of income that result form group pressures cause deadweight losses. According to Wittman democratic political markets are structured to reduce the divergence between private and social costs. Furthermore, to the extent that rent seeking exists, rents will be shifted efficiently and the seeking of these rents will involve minimal social costs.

Finally, authors who subscribe to, what may be called the skeptical view doubt whether any systematic relationship exists between democracy and economic development. In other words, politics alone matter very little. More important are, perhaps, the kind of policies pursued and

\(^{45}\) Cf. ibid. p. 236.
other institutional arrangements like the nature of the political party-system (two-party versus multi-party) and political stability.

There is a difference between having a democratic system of governance and practicing true democracy. There are a number of countries that have democratic system of governance yet in reality it is more dictatorial. Therefore when economic development is not achieved in such countries, it will not be justifiable to conclude that democracy has not brought about economic development. It is therefore important to first of all assessing whether a country practices true democracy before coming to a conclusion of the type of relationship it has to economic development.

**Relationship between Economic Development and Conflicts**

Since scholars like Collier, Galor, Oded, Zeira, Joseph have examined the relationship between interstate wars and economic development, more generally nation-building, and two contending perspectives have emerged: one is that war has some intrinsically positive impacts on economic development; the other, war does not. Some scholars argue that positive economic effects stem from war because war improves efficiency in the economy, especially by reducing the power of rent-seeking special interests, brings technological innovation, and advances human capital. Other scholars reject this view on the grounds that aside from the destruction caused by wars, wars entail inflation, surplus labor, unproductive resource allocation (military spending) by governments, and war debt. As these contending perspectives indicate, the impact of war on economic development is not readily generalizable. To state this differently, any war involves

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some "obvious and subtle mixture of destructive and constructive effects" on states, and the "net impact on economic development may be positive, negative, variable, or simply insignificant". Empirical research like the one done Helpman Elhanan does not provide conclusive answers to this issue either. Depending on the special circumstances of particular wars and countries concerned and the temporal dimension of effects, the nature of the linkage between war and economic development continues to "defy precise delineation". The illusive linkage of war to economic development cannot be better illustrated than with the two most prominent wars of the twentieth century involving similar actors, World Wars I and II. World War I did not bring economic development to participant countries, but rather contributed to depression and another world war. Conversely, World War II was followed by unprecedented economic prosperity and peace among major powers. These contrasting outcomes of the two world wars demonstrate the difficulty of identifying the genuine effects of war on economic development.

When we try to connect civil wars, which occur primarily in the developing world, to economic development, the picture is even less clear. Unlike in Europe, the conflicts we have seen in the developing world are "not wars of conquest that threaten the existence of other states, but conflicts over lesser issues that are resolved without threatening the existence of another state". Just as civil wars originate from forces and events internal to the state, the outcomes of those wars are also internally oriented. This means that there are generally no external victors who will

take the leadership to mitigate or overcome the effects of civil wars on the economy (unless there is outside intervention). The civil war countries themselves must create environments conducive to economic recovery, repair damaged or destroyed infrastructure, provide for humanitarian needs, and accomplish a host of other tasks needed to develop economically.

According to Collier, civil wars lower national income (GDP) in four major ways: destroying, disrupting, diverting, and depleting national resources. These negative economic effects of civil wars can be contagious, too. Murdoch and Sandler study the spatial consequences of civil wars with a neoclassical growth model and find that "civil wars have significant, but modest, negative influences on GDP per capita, both at home and in neighboring countries". To make matters worse, the restoration of peace does not necessarily restore the prewar economy, much less economic development.

Collier argues that depending on the duration of the civil war and the degree of resource depletion caused by the war, post-civil war economies will be differently positioned to make a jumpstart or to suffer war drag. Thus, given a lengthy civil war, prewar income level, ethnic fractionalization, and the geographical location of a country would affect the behavior of the economy following a peace resolution.

Collier and Hoeffler address the pattern of economic recovery from civil wars. They first examine how the risk of civil war can be diminished because lower civil war risks will lead to

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54 Cf. Ibid.
establishing a more stable environment for economic activities.\textsuperscript{55} Their research shows that foreign aid in good policy environments contributes to reducing the risks of civil war by diversifying the economy, that is, less dependence on primary commodity exports for income, and boosting output growth. Based on this, Collier and Hoeffler proceed to an empirical analysis of aid and policy reform on post-conflict growth during the 1990s, using large civil wars from 27 countries.\textsuperscript{56}

They find that foreign aid in conjunction with good policies begin to yield positive effects on growth around the fourth year of peace. Collier and Hoeffler's focus on foreign aid in post-conflict recovery appears to be well grounded.\textsuperscript{57} As Collier observes, civil wars waste extant economic assets, and there is little expectation that resources will be available at prewar levels upon the end of fighting. If this is the case, the capital required for economic reconstruction has to be supplied from outside for a fast recovery.\textsuperscript{58}

Olson content that the creation of a new government, or the coming to power of more dynamic groups, should enhance the prospects for economic development.\textsuperscript{59} Conversely, however, a new government, which has used violence to attain power, may be viewed with suspicion and uncertainty by local and international parties, which may hamper investment and planning in the

\begin{footnotesize}
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\item \textsuperscript{56} Ibid.
\item \textsuperscript{58} Ibid.
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economy. As well, the identity of the winning party in the war is expected to affect policy choices.60

In conclusion, the economic consequences of wars within states are numerous, complex, and do not always provide a clear picture as to war's ultimate impact. Some have argued that in the aftermath of wars, countries can begin an economic revival.61 Others have found that whatever salutary benefits wars may provide, they are so dependent upon a host of other factors that we cannot draw any universal lessons as to their consequences.62 Based upon these findings, we may conclude that that keys to the process of economic recovery are the extent to which the governments emerging from civil wars perform and the extent to which the international community responds with assistance and investment.

Few countries that have undergone a violent and destructive civil war will be capable of rebuilding their political and economic infrastructure. Considering that poverty was often at the heart of civil wars, substantial reforms in macroeconomic policies and the policymaking process are crucial to capitalizing on opportunities provided by the end of civil wars.63 And while the affected country may stand ready to begin the reform and reconstruction of its society, without the proper tools little can be done. In other words, since immediately usable, local resources will have already been depleted during the war, the capital investment required to rehabilitate the economy desperately needs foreign transfusion.64

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60 Ibid.
64 Ibid.
Scholars in the war-development debate who include Olson, Collier and Hoeffler have concluded that research on the economic effects of civil wars should grow in the future for several reasons. First, data on economic indicators and civil wars are becoming more prevalent in the 1990s and beyond. The opportunities for such analyses have never been greater. More intensive analysis of the economic consequences of the post-Cold War civil wars is needed to determine if superpower tensions and other demands during the Cold War detracted from civil war-affected states' abilities to grow in the aftermath of conflict. The positive benefits of foreign aid and investment, as well as multilateral intervention, may also be stronger in the post-Cold War era. Therefore, we should obtain a better understanding regarding the effects of outside intervention in the aftermath of these intrastate wars.

Second, much of the research on nation-building in the aftermath of civil war is case-study oriented, which is insightful and interesting, but which must be complemented by more systematic, empirical analyses. As international organizations, NGOs and national governments pour billions of dollars into these reconstruction projects, it is imperative to discover what types of development and nation-building strategies work with a larger sample. Third, our analyses suggest that government fiscal and monetary policies, as well as international efforts, are critical in improving economic development. Thus, there is significant need for political scientists and

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66 Ibid.
68 Ibid.
not just economists to examine economic development. More analyses of the pattern and quality of policy choices embedded in regime types will be important as well.

Politics and Economic Development: Kenyan Situation

Kenya's Economic Development History: What Changed?

According to UNDP in its report, "Poverty Analysis in Kenya", developments experienced in the 1970s were the result of a combination of a number of favorable factors. In agriculture, the newly independent government had successfully distributed productive land to small farmers and promoted the cultivation of cash crops such as tea, coffee, and hybrid maize and the development of dairy farming. As a result of this and good market conditions, rural incomes rose by 5 percent a year from 1974 to 1982, and the smallholders' share of coffee and tea production rose to 40 and 70 percent respectively in the early 1980s, as did the varieties of maize produced.69

In industry, a mutually benefiting alliance between business and the body politic provided the rationale for implementing an industrial strategy based on import-substitution. The approach afforded high barriers to entry to importers and disincentives to export growth. It delivered development rates in the first years of implementation even though it relied too heavily on capital intensive technology to provide for the growth in employment policymakers had hoped for. It also set the basis for an inefficient and rent seeking industrial sector.70

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Starting in the 1970s, several factors started to negatively affect Kenya’s growth potential. Among them a series of trade shocks, poor macroeconomic responses, and a change in the structure of the economy in which the government started to become an increasingly dominating force. Government expanded largely. Its expenditures increased by 60 percent in 1972-94. The fiscal imbalances that accompanied the expansion put pressure on domestic credit and inflation.71

Changes in the structure of the economy were set off by a rapidly expanding state-owned enterprise sector. Involved in manufacturing, financial services, and processing and marketing of agricultural products, it engendered distortions and inefficiencies. Large financing requirements of parastatals, combined with favoritisms from the state-owned banking sector crowded out private sector production and investment. The absence of productivity gains in the state-owned enterprise sector significantly lowered productivity gains in the economy overall. Furthermore the oligopolistic industrial structure nurtured by state-owned enterprises and import substitution policies increased inefficiencies and decreased the economy’s capacity to adjust to changing external conditions.72

The government reacted to the crisis by imposing controls on bank lending, licenses on foreign exchange transactions, import quotas, and price and interest rate controls. While restrictions on domestic credit were later lifted, the others were made even more stringent. These generated important distortions on economic activity and gave rise to pervasive rent seeking.73

73 Cf. ibid., p. 234.
According to working paper developed by Tayo Fashoyin for International labour office, there was a commendable economic development in Kenya from independence to early 1970s. That growth was not sustained. According to him, several reasons account for this, including an increase in population growth rates, economic emergencies such as droughts and oil shocks, coupled with a bloated public sector and inefficient government agencies. These factors combined to aggravate an already inefficient and uncompetitive domestic economy. Inevitably, post-independence development halted and the economy remained stagnant. Consistently high inflation, widespread unemployment was high, especially among young people, and under-employment all contributed to unprecedented high levels of poverty.

According to this paper, in the 1980s, the public policy response was to review the economic development strategies that were in place. This led to the adoption of the Structural Adjustment Programmes, first introduced under Sessional Paper No. 1 of 1986 entitled Economic Management for Renewed Growth. This package of measures was intended to re-focus the economy and integrate it into the global economy. However, the lack of sustained commitment to reform, coupled with political instability, contributed significantly to the failure of the policies to stimulate economic development.

With these highly complex economic problems taking place concurrently with political liberalization, which has brought about multi-party democracy after more than 30 years of one-

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75 Ibid.
76 Ibid.
77 Ibid.
party rule, Kenya is today facing a multiplicity of socio-economic problems. Could there be a wrong diagnosis as far as Kenya's economic development is concerned?

P. Wanyande asserts that the question of ethnic identities in Kenya is intricately tied up with the country's politics and influences to a greater or lesser degree the class cleavages hence the economy.\textsuperscript{79} He argues that what passes for political parties in Kenya are frequently nothing more than vehicles of political expediency fueled by tribal agendas and tribal constituencies these are then turned out to economic gains. For him, some political elites have hijacked the state to divvy out economic goodies based on a system of ethnic and regional patronage.\textsuperscript{80}

This is so much that for, him it is not just enough to talk about economic development in Kenya, but rather it is also important to ask which tribe. He cites cases where, by the time Kenyans were getting to 2007 elections, if one knew the tribe of a minister, then one could easily guess the tribe of the majority of those who had been employed in that ministry.\textsuperscript{81}

Using political economy analysis, Susanne analyses the Kenyan situation prior to 2007 elections. For her, Kenya's political parties are not programmatic. Their ideologies, policies, and programs are largely indistinguishable and are not seen as particularly salient.\textsuperscript{82} Politics is viewed primarily as a winner-takes-all zero-sum ethnic game. The national economic cake is the prize. Various ethnic groups argue openly that it is their turn to 'eat'. The means to this end is controlling the state and having a fellow co-ethnic become president. As parties are not

\textsuperscript{80} Cf. ibid. pp. 92-94.
\textsuperscript{81} Cf. ibid.
programmatic and institutions are weak, politicians are seen primarily as personal distributors of private rather than public goods.\textsuperscript{83} Even though alliances and cross-ethnic coalitions are necessary to win the presidency, the winner is seen by others as the chief ethnic in charge. Hence, the importance of winning and not losing, particularly as political losses have meant being excluded from ‘access to state resources’. This historic reality has encouraged what Cowen and Kanyinga call a ‘communal logic’ of ‘tribalism’ from above and ‘below’ to ‘access state resources through one of our own because this is the only way to eat’.\textsuperscript{84}

Given the non-programmatic nature of Kenyan political parties, the lack of institutional checks on the president, his consequent personal power, and the expectations of benefits from clients, ethnicity is seen as critical in determining the distribution of national resources. In part, this explains the length to which leaders and followers are willing to go to get their leader in power and the means they are willing to use to achieve their ends.\textsuperscript{85}

**Overview of the Literature**

The argument still rages on as to the connection between politics and economy. Though there are a number of arguments that conflict each other, what is coming out in many of the arguments is that politics has a strong bearing in the economy of a country. This could either be directly through such aspects as governance systems or indirectly through conflicts. This even stems right from the very nature of human being; they are social beings. That means that if there is anything

\textsuperscript{83} Cf. ibid, p. 200  
\textsuperscript{84} Cf. ibid.  
\textsuperscript{85} Cf. ibid p. 230.
that tempers with their social organization, then that thing tempers with every aspect of their lives including the economy.

However, there are a number of gaps in those arguments. First, with due respect to the arguments advanced by underdevelopment theorists, who hold that development problems in developing countries have got external source, the question is, why is it that there are some individuals within less developed countries who lead lives similar or even better than those in the economically developed countries? Is the issue here the unequal distribution of resources or the external influence?

For the Marxists, we cannot rely on people from Western countries to go to less developed countries and help them to develop. Development is only sustainable if it is initiated and driven by the people of the same country. There may be external help but not to the extent of hijacking the state machinery. The Marxists also have not explained the setbacks that were brought by the colonialists. There were people from the West yet some left an impact that is still affecting some developing country negatively up to date. Europe. Writers like Gilpin have clearly demonstrated how Europe developed due to labour and raw materials from its colonies.86

Even for those who propagate the argument of war; war can be the immediate cause of underdevelopment or development, whatever the case it may be, but what is the root cause of these wars? Is it the fight for power and control? It also has to be clear who the actors in such conflicts. Are the people fighting for their own interests or they are just used as pawns. It is the

same question that should be asked when it comes to the Kenyan situation. Are the political parties tribal or is it the politicians who are just using the tribal masses to attain their end? These gaps need to be filled by answering those questions. Despite all the arguments that have been advanced, this paper contends that for Kenya to achieve its ultimate economic goal, it has to get its politics right.

**Theoretical Framework**

This paper will be guided by the Keynesian theory of political economy advanced by John Maynard Keynes. He advanced the concept of “Depoliticization of the Economy”. According to this theory, as the public authority takes more and more of the terrain once governed by the market, our way of thinking about the economy changes. The market in this sense could refer to people’s free interactions as far as the exchange of goods and services are concerned. This theory argues that the process of economic development involves the incorporation and the transformation of the traditional sector into modern sector through the modernization of political structures.

This theory is very relevant in the Kenyan situation. Just like any other developing country, it is hard to divorce economy from politics. That means, anything that tempers with people’s social lives will temper with politics and eventually economic development will be interfered with. The theory will be of great help to this paper in its investigation, since after the introduction of multi-

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party politics people's social lives have changed and even the manner of conducting politics changed too. Therefore the paper will be able to establish to what extent these changes have impacted on the economic development.

**Justification**

*Academic*

At a more general and theoretical level, this work is part of an expanding body of scholarship on the political economy of international relations; it assumes that an understanding of the issues of trade, monetary affairs and economic development requires the integration of the theoretical insights of the disciplines of economics and political science.

Good and sustainable practice is only possible through sound theoretical framework. Transformations in the real world have made economics and politics more relevant to one another than in the past and forced the recognition that our theoretical understanding of their interactions has sometimes been inadequate, oversimplified and limited. That is the gap that this paper is going to cover.

This paper has a general perspective of how political instability can impact the economic development. It will be able to show how the different aspects of the economy interact and when one is affected it may also affect other sectors. This will contribute to the academic debate since up to now, both political scientists and economists have not agreed on the politics-economy
relationship. This research paper will help strengthen the argument that politics impacts on the economic development having an African country as an example. This will be among the few researches that have been done about Sub-Saharan countries. Many researches have concentrated in Asian countries.

Policy

When the governments are setting up policies, many a times they don't take into consideration how such policies could lead to political instability which may affect the economy. Many governments think that provided the economy is doing well then the rest don’t matter. They forget that economic development is as a result of good governance not the contrary. Institutional framework for economic development can be facilitated by the social capability, social infrastructure, good governance and rules and regulations. Once that is well known by the government, it will make sure that the above mentioned conditions are fulfilled as the route to economic development. Too often policy issues are analyzed as if the realms of economics and politics can be isolated from one another.

This paper is very timely, especially at this point that our country Kenya is undergoing a very harsh test as far as its democratic space is concerned. This paper will inform the government that in spite of the challenges that are facing the country, it should make policies that are political friendly. This paper will also be put in the archives as a reminder to the future generations of how politics affects the economy so that the future generations will be very careful in their policy formulations.
Hypotheses

1. The political dynamics influence Kenyan economic development: when the political situation is stable the economy prospers, and vice versa.
2. Internal cohesion of the citizens brings about political stability which leads to economic development.

Methodology

This research paper will use both primary and secondary data. For primary data, officials from the following organizations and ministries will be interviewed – they have been selected depending on how they are connected to politics or economic development of Kenya:

1. Ministry of Planning and Vision 2030 - this is where Kenya’s development plan is contained,
2. Ministry of Special Programmes – this is the ministry that is used to mitigate the impact of conflicts or political unrests,
3. Ministry of Agriculture – Kenya being an agricultural country agriculture has a major bearing to its economic development, and
4. United Nations Development Programme – this is among the major bodies that carry out the economic development trends in Kenya.
The interview will be conducted on face-to-face basis with the top officials within those ministries or organizations. The strength of this method is that when talking face to face with a person one can even read the body language and one can even read the genuineness of whatever the interviewee is saying. The challenge with this method is that some top officials are often busy and cannot afford time for such type of an interview. Telephone and email interviews may be used when an official will not be available for face-to-face interview.

The secondary data will include:

1. Economic journals
2. Political Science journals
3. Websites
4. Books
5. Magazines
6. Newspapers
7. News clips
8. Conference papers

The strength with the secondary data is that since it is in hard copy, it can always be referred to whenever the need arises. Again, it has authority because before anything is published it has to be edited by people with expertise in the particular field. The weakness is that some of the information is stale. This will be overcome by using latest literature, more so the journals.
Scope and Limitation

This research paper will cover the period between 1992 and 2008. 1992 is the year that multiparty politics was reintroduced in Kenya. It will largely focus on those areas that had impacts that were greatly felt.
CHAPTER TWO: Existing Debates on the Relationship Between Economy and Politics

This chapter will focus on the existing debates on the relationship between politics and economy. It will start by looking at the Kenyan situation. Later, since Kenya is an African country, the paper will discuss the African political economy and place Kenya within that context. The paper will therefore explore the same situation at the continental level. This is because there are politics and economy dynamics that exist in Kenya by virtue of it being an African country. Lastly, Kenya will be placed in its global picture. There are some forces that shape the Kenyan politics-economy relationship.

RELATIONSHIP BETWEEN POLITICS AND ECONOMIC DEVELOPMENT IN KENYA

Throup and Hornsby make three main arguments. The first is that Kenyan voters have always rewarded politicians who could guarantee *maendeleo* (literally, development, but usually understood as patronage of state resources). The second is that in the minds of voters and politicians alike, ethnic calculations have always outweighed any ideological considerations. To the extent that, many economic development strategies have been put on paper but when it comes to the application, only a few benefit. Mostly, the ones from the tribe that dominates in the list of government officials. Lastly, the euphoria of pluralism created unrealistic expectations of change in the era of multi-party competition. According to them, multi-party politics alone could
not bring about economic development. For them, the citizens, too, come in for blame because of their blindness to the common good and for voting strictly along ethnic lines.¹

According to Stephen Ndegwa, in 2002, Kenya held democratic and open elections, which were judged free and fair by international observers. The 2002 elections marked an important turning point in Kenya's democratic evolution as the presidency and the parliamentary majority passed from the party that had ruled Kenya since independence to a coalition of new political parties. This was expected to translate into economic growth which would later translate into economic development. In fact the government that took over promised to focus its efforts on generating economic growth, improving and expanding education, combating corruption and writing the constitution.²

All these were geared towards making Kenyans live better lives. The first two goals were largely met, but progress toward the second two goals was limited. Yet they were the ones that would lay the framework to bring about economic development. One of the contributing factors to the crucial goals not being met was the political wrangles. In fact this serves a good example to show that what is needed for economic development is not necessarily the system of government but rather political stability. The system was multiparty democracy; a system that has been largely regarded as the best, yet it was not meeting its objectives as far as economic development was concerned.

Though the government is a democratic one, a number of mega scandals have haunted it. The most important thing to note to help the discussion of this paper is those who were involved in the scandals were politicians. Since many who were heading various ministries had immense powers, they utilized them to steal. This tempered with the economy in two ways; the first one is direct. The money that was stolen would be used in other economic development undertakings. The second one was indirect such that it brought wrangles among the politicians which later lead to conflicts and it also scared investors.

According to Gilbert Khadiagala, like most African countries, Kenya has faced enormous obstacles in building political parties that transcend individualistic, idiosyncratic and ethnically based politics. This, for him, has lead to the slow pace of economic development in Kenya.\textsuperscript{3}

Throughout most of the post-colonial era, patronage and the division of political spoils helped Kenyan elites to manage the fissures of ethnicity.

With the resumption of competitive politics since the early 1990s, the growth of political parties has remained stunted, hostage to the pervasiveness of coalitions-cum-political movements. These movements parade as parties, but they lack the inner organisational coherence and ideologies that would qualify them as genuine parties. These parties are therefore just used by the politicians to reap selfishly from the economy. For him, the absence of fundamental constitutional changes, which is a political process has made the country to lack the structures in place that would enhance economic development.\textsuperscript{4}


\textsuperscript{4} Ibid.
According to the Institute of Economic Affairs, there has not been much economic growth since the government (which is a political entity) has failed in creating necessary condition for economic development. Therefore, for them, the link between politics and economic development is that the political structure provides the required environment for economic development. The government has to provide a policy framework to enhance economic development.\(^5\)

There hasn`t been relevant policy documents. Such could be contained in the manifestos of the various political parties. The problem has been, most parties have drawn elaborate manifestoes, but still it is not always possible to understand what their priorities would be and how they will implement them. Virtually all manifestoes drawn by the different political parties emphasized the need to increase the rate of economic growth and thereafter economic development through the creation of employment and the reduction of corruption in both the public and private sector but the challenge is in the implementation.\(^6\)

For the institute, this criticism of the manifestos is justified because whereas they note that economic development has been in decline since independence, they prescribed no radical measures to halt the secular decline and ensure that development would be maintained for the long-term. Like there was one of the most the most impressive proposal in one of the manifestos and economic blue print that promised to create about half a million jobs per annum for the entire term in government. The main question was that the mechanism for the creation of these

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\(^6\) Ibid.
jobs and simultaneous maintenance of a growth rate of 7.5% per annum were not articulated in either the economic blue print or the manifesto.\textsuperscript{7}

For them also, Government has been unable to ensure the security of people and their property and this has characterized Kenya as a hostile environment for business activity and with low business activity there will be minimal economic growth hence low level of economic development.

According to Dr. James Karuga, since independence Kenyans have been growing systematically poorer and it is therefore no wonder that by 2000, 52% of the Kenyan population was in the government's admission living below the poverty line.\textsuperscript{8} A snapshot through the country reveals a further difference in the ethno-regional incidence of poverty. Economic inequality is more perceptible in the incidence of poverty and vulnerability than merely in the level of income. For instance, the regions with the highest poverty incidences such as the rural sections of Nyanza and Coast provinces register a poverty incidence that at about 60%, are far worse than the equivalent in rural Central Province at 32%.\textsuperscript{9} Differences, according to him have been brought about by many factors but major ones being the political orientation of people from those regions.

The ethno-regional economic inequality, for him, have also been brought about by the governments (which are political entities) that have been in place. This inequality is traceable to the colonial administration that defined the economic potential of the country strictly through

\textsuperscript{7} Ibid.
\textsuperscript{9} Ibid.
agroecological zones. Unfortunately, this policy bias was largely retained and perpetuated after independence as evidenced in the definitive Sessional paper No. 10 of 1965. Paragraph 133 of this principal policy document postulated that development resources should be invested in areas where the highest yield will accrue.

Such high potential areas were defined as those bearing abundant natural resources, good land and rainfall. This policy prescription retained the colonial fixation with highland agriculture and its central economic logic, which defines Central and Rift highlands as high potential, the Lake Basin and Ukambani lowlands as medium potential and the rangelands which comprise 70% of the country, as lowest potential. While it is understandable that Kenya's comparative advantage in agricultural production is altogether formidable, this policy description which was basically laid by the colonial government and accepted wholesome by the independence governments, according to Karuga, represents grossly convoluted and naïve economic logic.

To illustrate the gross error of this reasoning, Karuga carries an analysis of the components of the agricultural output is in order. Agriculture contributes 53% of the country's GDP made up of 26% directly and another 27% through backward and forward linkages with other sectors. Of this figure of 53%, the livestock sector's contribution is about half of the total agricultural contribution. The preponderant amount of this contribution is extracted from the traditional pastoralism practised in the rangelands which are characterised as low potential. This contribution alone, explodes the myth of an inherently inferior rangeland agricultural
contribution. Such is an example of how a political arrangement can have an impact in the economy.

AFRICA, THE LAND OF UNDERDEVELOPMENT

In the words of Richard Knit, "Africa is the poorest and most economically underdeveloped continent. But Africa has natural resources, especially oil, which could be used for economic development, to fight poverty, and meet people's needs for housing, education and healthcare. Africa economic development is directly linked to issues such as human rights, economic justice, debt relief, foreign investment, and corporate responsibility. Developed countries, transnational corporations, and international financial institutions such as the World Bank, which in the past have often inhibited African development, will play a key role in the continent's success or failure."

This leads to very basic questions: why is Africa's productive potential not realised? Why are most of its people still poor? Why is the continent still dependent, its future still controlled by outside forces?

According to Hope and Kempe, Africa has often been slated as the world's basket case. It had largely remained underdeveloped in every sense of the term due to failure of national

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governments to effectively implement active developmental measures. Aid from international organizations such as World Bank and International Monetary Fund (IMF) have fallen through due to corrupt governments. The only bright spot has been Botswana which has been able to achieve sustainable development and economic prosperity maintaining political stability and a good governance.

But in the last decade we have seen some distinct improvements. The scourge of corruption and inefficiency is being brought under control, notably in Ghana and Rwanda. Investment from non-traditional sources, particularly China, but also Israel and Iran, are spurring new economic development. And this in turn is helping Africans themselves to push for more change.

Political economy can be defined as politics of economic relations between countries. It is widely referred to as the political and economic terms among countries whereby governments’ or polities’ frame national policies along the lines of political and economic considerations. Needless to mention, various economic policies such as fiscal and monetary policies are made keeping in mind political dimensions.

Political economy studies in the context of African or African Political Economy focuses on a wide range of issues from the politics of imperialism, the post independence policy, developmental issues, agrarian economy perspectives, popular and democratic struggles, the socio-economic aspects of class and gender with the rising menace of AIDS and economic crises.


like external debt plaguing many African countries. Political economy or the International Political Economy (IPE) encompasses issues effectively and leads to a comprehensive study of the national and international issues. For Roger Southall, African political economy has assumed even more importance today with rising population growth, unemployment, crime rate and urbanization affecting many economies. This decline in the social and economic sphere started way back in the 1970's and the 1980's and had continued in the 90's mainly due to the bad governance problem. Thus many economists label the 1980's as Africa's 'lost decade'.

The southern African country of Botswana is one of the most prosperous countries in Africa with per capita GDP reaching to $11,400 in 2006 measured on a per capita basis. After gaining independence from the British in 1966, the country achieved high growth rates of over 5% with growth rates slightly slowing down to about 4.7% in 2006. As mentioned, progressive economic reforms set the pace of development with diamond mining fuelling most of the change accounting for 70%-80% of the export earnings. But issues such as rising inflation rates and growing unemployment remain the major concerns which were at 11% and 23.5% respectively for the year 2006. In spite of that, political stability has contributed to a great extent to this steady growth. Rwanda has started following suit.
East or Central African countries such as Somalia, Sudan, Ivory Coast and Nigeria are still coping up with the changes in the modern globalized economy.\textsuperscript{18} The prevalence of armed conflicts in countries such in Southern Sudan, DRC, Northern Uganda among others claimed and continues to claim many lives and put a severe halt to economic development of the nations. Further, the issue which is gaining momentum in these regions is the prevalence of Small Arms and Light Weapons (SALW) which, according to Hope and Kemper, is being supplied by the developed nations to fuel tensions in the region.\textsuperscript{19}

Most African countries face severe economic crises which are attributed primarily to the failure of post-independence development formulation and implementation.\textsuperscript{20} Many newly independent countries put their faith in the role of government to plan and allocate resources for economic development. State intervention, rather than solving problems, created new ones and exacerbated old ones, by redirecting resources from their socially most productive uses into often corrupt and harmful schemes designed to enrich individuals rather than nations. Some opposition leaders, promising reform and end to personal corruption, abandoned those efforts once in power, or when co-opted by the ruling party. The system was promulgated because it benefited the few in power, while increasing the poverty of the many.


\textsuperscript{20} Cf. ibid
Prospects for Democracy in Africa

In many other African countries, there has been a retreat from 'Marxism-Leninism' and other self-defined 'socialisms' and from the planned economy, although the significance of powerful external forces and internal constraints in preventing the pursuit of a more decentralised and 'open' (or democratic) form of socialist development should not be underestimated as Minter and Saul remind us.21 Many of these African countries have been obliged to recognise the pressures for multi-party politics and have begun, to varying degrees, a process leading towards the formal recognition of a variety of political parties.

According to Hamza, the emergence of more than one recognised political grouping and the appearance of multi-party politics is not necessarily the same as democracy.22 When western 'donors', the IMF and World Bank, demand political pluralism and 'good governance' along with economic liberalisation as conditions they have in mind the breaking of state power and the 'opening up' of the economy and society for capitalist development. Francois Heisbourg, the director of the Institute for Strategic Studies in London epitomises this stance when he argues that 'without these prerequisites, there can be no durable economic development, no noteworthy foreign investment, and consequently no prosperity'.23

What is required for the kind of capitalist development envisaged, however, is political stability rather than democracy. With the collapse of the state socialist alternative, progressive forces in

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developing countries are faced with the prospect of increased integration and subordination within the hierarchical, inegalitarian structure of international capitalism, and with a continued drive for economic reform and adjustment. Under these circumstances, the prospects for even 'bourgeois' democracy would appear slight; more probable are various forms of authoritarian regimes with strictly limited political pluralism. For progressives, the collapse of 'state socialism' and the difficulties associated with the socialist project has put democracy once again at the forefront of the agenda.

Is there any hope of more popular forms of democracy - real people's power? And can such slogans with their echoes of liberation struggles and grassroots movements be given some meaningful constitutional form - along the lines? Shivji explores. What he does bring out, is that any such shift to democracy (and even any new conception of socialism) has to be located in the realm of civil society. More than simply the modification of state forms and the recognition of parties, the civil societies of Africa, strangulated by the 'party-state', have to be given time and space to breathe and for non-statist movements to emerge, as Copans emphasizes.

But it has also to be recognised that surviving elements of civil society are often hierarchical and far from democratic. They are in particular patriarchal, and much of the oppression of women is not through the mechanisms of the state. The emergence of social and political forms that give expression to the aspirations of women, the rural poor, the unemployed and not just workers will require not just space from the heavy hand of the state but creative and novel mobilising.

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25 Cf. ibid
initiatives. What has also to be put on the long term agenda is the development of linkages between democratic forms in Africa and those elsewhere so that an alternative, democratic world order might emerge.

One striking political development of the last few years in Africa, prior to the rise of multipartyism, has been the widespread and massive upsurge in popular protest at those government policies implemented in the name of structural adjustment and economic reform. Across Africa, the concerns of these popular protests and movements have challenged not only the policies but even the character of the regimes. Their concerns have been 'economic' (unemployment, declining real wages), 'social' (cuts in welfare services, deteriorating living conditions, price rises) and 'political' (repression, political marginalisation and lack of democratic and human rights) - and often all three as they point the figure at misdirection of resources and aggrandisement by corrupt regimes in the face of imposed austerity.

Roger Southall suggests that progressive intellectuals must consider whether the long march to democracy can even begin, if such popular forces cannot be actively involved in the development of a sustained political movement. The classic 'socialist' or Marxist strategy has always emphasised the role of organised labour and the progressive intellectuals, tending to be wary if not actively hostile towards such popular forces. But, as Michaela von Freyhold suggested, such an exclusive vision of the progressive forces in the struggle for real democracy and socialism is arguably misguided in Africa (and elsewhere in the 'Third World'). Today, more than ever, with the fundamental questioning of the Marxist-Leninist tradition, a strategy which

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recognises the power of the people - ordinary women, men and workers in the broadest sense and organises for popular, rather than 'bourgeois' democracy and for democratic socialism is likely to provide the most powerful challenge to state repression and to imperialism as Clark suggests.29 The alternative to state power in the name of 'socialism' might well be popular power in the name of democracy he concludes.

Africa and Imperialism in the 1970s

It is often forgotten that work on African problems can be done in Europe and North America, and not only by burrowing into colonial archives.30 In Africa the 1960s were a period of dramatic change - even if the limited consequence of 'flag independence' is acknowledged and if the continuation of economic dependence is realised. The basic change in the political economy a mere change in the ties to the colonial power from a direct to an indirect, neo-colonial one, or the mere acquisition of a share in state power by certain privileged indigenous classes.31 The achievement of independence involved the exposure of African economies previously closely tied to the old metropolis to competition of capital from other centres. In particular, there was a strong assertion of American investment and influence throughout the continent. At the same time, capital from the US and increasingly from transnational corporations did begin to cast a few of the more well-endowed African countries in a new role within the international division

of labour: as a base for some limited extractive and manufacturing industrialisation instead of the mere supplying of raw materials.\textsuperscript{32}

It is of primary importance to locate the centre of power within the changing capitalism system itself and to assess the significance of shifts that are taking place in it. The US's hegemony of the capitalist world, established firmly in 1945, has been undermined by the successes of the Vietnamese people in resisting US imperialism and by the emergence of Europe, China and Japan as alternative centres seeking to gain their own privileged access to strategic raw materials, overseas markets and new fields of investment.\textsuperscript{33} This shift in power relations among capitalist states together with the related detente with the Soviet Union and China have led to a redefinition of spheres of influence.

While the consequences of this process on some areas of the world are relatively clear - thus US monopoly over Latin America remains unchallenged, while some economic and military role for Japan in South East Asia is clearly assumed - where Africa figures in the calculations and deals between the US and Europe and between the western and socialist powers is still difficult to discern.\textsuperscript{34} The American build-up in Africa since independence has by no means given them the kind of monopoly they have in Latin America. The stake of American investors in Africa went up almost four fold during the 1960s to reach $3.5 billion in 1970, but the flow of private and public capital from the US was still less than

\textsuperscript{32} Cf. ibid.
that from Europe. At the beginning of the new millennium, this had gone up almost ten times and with coming up of Japan and China, it is even postulated to go up.

Some like Hirst see in this multi-polarity a chance for African states to play off different powers against each other. Economically there may be a prospect of getting better terms for investment and trade by playing off Japan, Europe and America. Militarily, there is a hope that a weakened US may be forced to maintain a low profile and allow a neutral zone to emerge in Africa and the Indian Ocean. However at first glance it seems more likely that the emergence of Europe and Japan as viable alternative centers in the capitalist world will lead to an intensifying struggle, which may be played out most brutally in Africa, precisely because it is not exclusively tied to one of the centers.

The US is unlikely to give up its foothold in Africa while the prescription for its national economic ills, offered by many experts, calls for an aggressive campaign for overseas markets and investment to produce a larger surplus and consolidate the country's balance of payments. At the same time, there are signs of increasing American (and even European) military interest in Africa, especially its Eastern coast, and in the whole Indian Ocean area, which will remain vital throughout the 1970s as a supply route for oil supplies.

\[\text{Hirst, P. & G. Thompson, Globalisation in Question: The International Economy and the}\]
\[\text{Possibilities of Governance, Cambridge, Polity, 1996, p.90.}\]
\[\text{Cf. ibid.}\]
Transnational Corporations

This preliminary balance sheet of the major external trends at work in Africa would not be complete without some further mention of the phenomenon of the transnational or multinational corporation. The activities of these giants are so pervasive but so little understood. But the current strategies they are employing and their overall political and economic influences on the African continent must be briefly assessed in relation to the changing power structure that we have been considering. It is important to note at this point that when we talk about the USA or Japan in this context we are not referring to the intentions of a whole people so much as the actions of states which in turn reflect the interest of certain classes or interests based in the metropoles. Moreover, it has certainly been true that the more monopolistic sections of the bourgeoisie in the capitalist centres have an even more decisive influence over the state in foreign policy than in domestic matters.

Part of the lesson of Vietnam for the large companies was that military intervention was a very cumbersome and not always efficient tool for securing their freedom to operate. On the other hand, the penetration of the Soviet and Chinese markets by straight business deals, together with the growing size and international scope of corporate activity go to make the multinationals less committed, in every way, to using the metropolitan state as their sole instrument. The transnational corporations are in fact the major entities in the

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increasing international. But in their battle for control of the business environment they are becoming, as Naisbitt puts it, 'quite opportunistic about their associations with the nation state' - both that from which they originate and those where they are prepared to do business. Thus in Africa we may well be entering a period where centre-periphery relations, even in the realm of political power, may be much more mediated through dealings between international corporation and national states than between states or between international and local businesses.

These giants have no racial or ideological compunction about carrying on business in the white dominated states of Southern Africa and in the countries that oppose them as well; about dealing with neo-colonial or nationalistic regimes; about joining forces with local businessmen or with state enterprise. The struggle for full liberation takes an open politico-military form in certain circumstances, but it also has to be conducted on a continuous economic plane in the specifics of dealing with the multinationals in all their guises.

The emergence of the transnationals, the slackening of US domination, growing intra-capitalist competition and the delineation of new spheres of influence between the capitalist and socialist powers - those are the major new contradictions at work in the present historical period which have to be grasped if Africa's future is to be understood in its full global setting. But these are also dimensions that have to be taken into account.

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41 Cf ibid.
in analyzing more concrete local issues. The kind of combined insight gained from looking at specific national or local relationships against a backcloth of the broadest global trends that we are here advocating is necessary to grasp what is to be done about some immediate problem or to decide what choices of economic and political strategy a given movement or national government should make, as well as for answering the grand question of 'which way is Africa going?' It is to this task of understanding, and countering, the debilitating consequences of a capitalism which stems from external domination and exploitation and is combined with internal underdeveloped and equally exploitative structures.

GLOBAL FORCES BEHIND THE KENYA’S POLITICS-ECONOMY RELATIONSHIP

Some of the local economic and political dynamics in individual states are influenced by the global economic trends. That is why it is important at this point to look at how the global economic trends have been and their influence in the world political economy.

Power Politics and Economic Hegemony

In the aftermath of the Cold War capitalism emerged triumphant and American style free market capitalism propelled globalization. America herself remained in the military power play groove. After the collapse of USSR, America was not only sensitive to the military/industrial cause, but also presided over an administration that designed the "primacy doctrine" aimed at maintaining the United States as the sole military super power.43

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According to Clark, the terrorists' attack of 9/11 made America fully embraced the "primacy doctrine," squarely gearing into a classic military power play mode. Classic in the sense of pre-UN power politics – that of "coalition of the willing" under American supremacy, linking “freedom,” human rights and democracy with free enterprise, and claiming the right to subvert other regimes under that banner. This has shaped the world’s political economy.

The world is thus at a crossroad between developing and structuring the foundations of a new age of financial stability or sink into the military/political power games, arms race, protectionism, and the use of economy for power politics – as Russia seems to be set to do – and with new players: China, India, Brazil, the Gulf oil magnets (Saudi Arabia, Lybia and other Arab League countries), with additional potentials for nuclear holocaust.

William Bratton Asserts that, with the supposed ending of the Cold War and, significantly, at a time of deepening recession and further restructuring, came the dramatic reassertion of the US' role as the dominant actor in constructing 'a new world order'.44 James Mann adds, the USA, moved to provide limited and conditional aid to Eastern Europe and later on some countries in Africa, thereby reinforcing the conception of the new relationship with both 'East' and 'South' as one involving assistance to 'developing countries'.45 It also sought to encourage the development of nationalist and separatist movements.

The massively destructive operation in the Gulf, and later the toppling of Saddam Hussein, whatever its implications for the Middle East, was meant as a 'lesson', not just to Saddan...
Hussein but to any third world regime that might be designated a threat in terms of whatever new post-war criteria the US cares to apply.46 This led to some countries being black listed by the USA as being the launching pads of terrorists. For Berlin, the Bush administration's decision to pursue the military option in the Gulf and ignore all diplomatic openings underscored not only the aggressive character of the new US-dominated world order but also the contradictions between its foreign policy and its relative economic decline.47 The dragging of the United Nations into what was a US adventure undermined the prospects that may have existed for strengthening the UN's system for resolving conflicts, and leading the way to the world's political economy.

Dahl observes that, the effective withdrawal of the Soviet Union from many earlier commitments and its clear unwillingness to intervene directly outside its own frontiers ensured that the US was able to act unilaterally with much greater freedom. The United Nations remained heavily circumscribed by the pressures exerted by the major world powers, especially the United States and the Soviet Union.48

The rise of Japan and China as economic power has been dramatic over the past three or more decades. Only recently, however, has its impressive economic achievement begun to translate itself into more direct forms of intervention abroad. This has helped to balance the dominance of the US. Japan's overseas investment has risen steeply since 1984, boosted by the economic recovery of the mid-1980s, a sustained current account surplus and the sharp appreciation of the

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yen; Japan is now seeking new areas for foreign investment, both private and public. Today it is among the world's largest source of overseas direct investment; it is also among the world's largest donor of Official Development Assistance (ODA). It is one of the largest contributors to, and one of the most powerful voices in, the two major international financial institutions, the IMF and the World Bank. This is unlike when these institutions were under the domination of the US. History has shown that whoever has control of these two institutions has control over the world's political economy.

According to Thurow, at first Asia was not yet clear, and its efforts to play a more strategic role had been overshadowed by the US. He gives an example of the proposal made by former finance minister Kiichi Miyazawa for the restructuring of Third World debt was first rejected by the US and then repackaged and unveiled as the Brady plan for debt relief. Though he admits that later Japan and China have come up forcefully quietly committed very substantial resources to 'reconstruction' and development, with the promise of more to come. In Africa, Japan and China are now one of the continent's largest aid donors: at the beginning of the new millennium it was providing nearly $5 billion in ODA to sub-Saharan Africa, compared with $2 billion a decade before.

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54 Cf. ibid.
The rise of the European Community and its challenge to the US since the mid-1970s is very clear. By 1980, the European Community accounted for nearly 14 per cent of world exports (excluding intra-European trade), with the United States exporting only 12 per cent of the total.\(^5\)

But throughout the 1980s and 2000s, the countries of the EC also dramatically increased their trade among themselves, so that, if intra-European trade is included, the Community accounts for over 40 per cent of all world exports, making it a dominant trading bloc.\(^6\) This has enabled the Community to rival and challenge US interests in a variety of domains, including agriculture.

The existence of a trilateral structure to the world capitalist system - US, Japan, EC - each with its own special interests and special relationships in specific parts of the 'Third World' to protect and defend, has raised the spectre of a world economy divided into major competing blocs, as in the 1920s and 1930s, fraught with heightened potential for conflict.\(^7\)

According to Shamsul, though the divisions within the capitalist world have become more acute, and the economic supremacy of the United States subject to powerful challenge, the US economy continues to exercise a major influence internationally (in part through the power of the dollar) despite its relative decline and its evolution from the world's largest creditor to its largest debtor. Furthermore, with the Soviet Union now largely absorbed in its own domestic problems, the United States has increasingly sought from the 1980s to reassert its global hegemonic power.\(^8\) In fact some scholars like Khoshiski have argued that the commonplace of the 1970s of


\(^8\) Cf. ibid.
the 'decline in US hegemony' was always misleading; that the US maintained its role as the
dominant global superpower even through the difficult 'post-Vietnam' years and that its
economic and technological eclipse was always overstated.59

Others like Lee Kuan, have suggested that a more complex situation has developed since the
early 1970s in which the US economy is increasingly challenged internationally by the rise of
Japan and China and by the progressive unification of the European Community but that, despite
this - or in some versions because of this - US strategic (political-military) supremacy gives it an
essentially undisputed capacity to set the global agenda on international political issues.60 ln the
final analysis, it is emerging that though the US is controlling the world's political economy, its
dominance is under threat from the European Union countries and Japan & China. And as Lee
predicts, its dominance may not live for long.

Democracy and Economic Stability

Democracy is one of the methods for the legitimization of power into authority. It is important
to look at democracy at this point since it is one of the political systems that has been used by the
US and other Western powers in enhancing their powers in the world's political economy. Its
choreography changes according to the political culture within which it is applied. The
distribution of the spoils after an election is well established global political behavior. Generous
contributors to a successful candidate receive ambassadorships for which they are hardly
qualified. This has been one of the major set-backs of democracy in its connection to economic
development.

Barnes argues that, in other western cultures democracy does not always guarantee accountability and transparency in terms of the use of public funds and their possible misuse. He cites as an example the budgets of some European governments such as the British and French which include secret funds which are not transparent at all and political authorities can dip into at their own discretion, notably for corrupting others. The British and French democracies have evolved from monarchical regimes which had inculcated into the people the idea that the authorities were entitled to certain perks and that how they spent certain funds was none of the peoples' business.

In the simplistic proposition of conjugating democracy (as a method of legitimization of power into authority through popular elections) with market economy a number of basic features of democracy in terms of civil society are left by the wayside. As Dahl suggests, if the western public does not always overwhelmingly participate in the electoral process it is because it feels secure as long as the basic values of the civil society are not endangered. Foremost among them is the democratic tradition of value pluralism: the possibility of choice and change, but not to the detriment of future choice and change – as happened to the Germans when they voted for Hitler. What guarantees their freedom of thought, expression and assembly is the rule of law with the assumption that political authorities respect and implement it.

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62 Cf. ibid.
The Contributions of the Multinational Corporations and Globalization to Global Political Economy

The main intentions of the multinationals is to make profit which is an economic agenda. At the same time, some of these multinationals enter specific countries with such a great force such that they change the whole political landscape of the country. This can come through how they engage with labour or some of the politicians buying shares in such multi nationals.

In the words of Lester Thurow: "To put it in its starkest form, capitalism is perfectly compatible with slavery." In the global setting, multinational corporations seek cheap labor. A democratic system in a developing country may decide to improve labor conditions by taxing corporations and providing for unemployment insurance and social security. It could permit labor unions to form and increase the cost of labor for the corporations. Corporations would not like that. That means they will carry the day. That means government policies will be fashioned to favor these multinationals. As Berlin puts it, some of these multinationals operate as a government on its own.

With the ever greater awareness of the western public about the consequences of globalization, the corporations' "national" labor unions and humanitarian NGO's push them to provide better conditions for labor in the developing countries. Corporations don't like that either. But because of the democratic conditions in their own western cultures, corporations have to put up with that trend.

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From a global capitalist point of view, this pressure by unions and humanitarian NGO’s in the developed market economies to improve the conditions of labor in developing countries seems to be more palatable to western global corporations than national democratic governments in the developing countries imposing taxes and erecting labor laws. Corporations seem to tolerate corruption and kidnappings as long as the governments of the developing countries remain dependent enough not to impose taxes and labor laws on global corporations. But corporations do want the governments of developing countries to maintain order and secure their interests!

Needless to say, the power of global corporations impacts developing economies, even those democratically inclined and with the best of intentions. It is more likely that with incentive from global corporations, an emerging market would make the economy efficient for the market mechanism. That may not necessarily provide for the well being of all the constituents of the country. Thus, as Deming notes, a part of the country which has desirable natural resources gets roads, water, electricity and schools (to create an educated workforce) for the global interests that want to exploit those natural resources. The rest of the country may remain underdeveloped.66

The disadvantaged population

may move towards the prosperous area and create unemployment, cheap labor and slums with all their social problems. If the national government taxed the global capital and distributed the benefits nationwide, the global capital would lose interest and move to greener pastures.

These scenarios are recurrent, and numerous cases can be cited as illustration. They have become assumed patterns of conduct of corporations and regimes due to certain narrow understandings – or rather misunderstandings – of the classical concepts of globalization. In classical political economy, globalization did have a rational premise as formulated early on by David Ricardo about the international division of labor. But that was before the virulent spread of nationalism across the western cultures.

The industrial revolution and the rise of the bourgeoisie developed nation-states which raised protectionist barriers. Corporations, even as they expanded beyond national frontiers, identified, first and foremost, with their nation. Before that, when workers and corporations were confounded, the worker moved across frontiers. The farmer stayed, the worker moved. The limitation of workers’ movement was caused by a combination of bourgeois capitalism and the pre-eminence of the nation-state protecting the national industry and its market.

The recent global identity of global corporations is the consequence of change in the means of production due to the electronic revolution which has made nation-states’ frontiers obsolete. But while corporations have burst out of the nation-state cocoon, the inculcation of nationalism during the bourgeois industrial revolution is still hanging over the working class. It is that in that process, with the massive inflow of country folks into the work force, the workers lost much of their identification with the corporation. It was mainly through the conversion of tribal identity into national identity that the bourgeoisie imbued the workers with nationalism. In fact, as Sohmen notes, some these multinationals have completely identified themselves with the

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countries that they operate from, to the extent that the workers and many of the citizens don't realize that it is foreign. The matters are made worse when the politicians, especially in third world countries start buying shares in these multinationals.

According to Barnet, the assumption that globalization is a market economy phenomenon misses the point that in recent times the global idea was first developed in the context of international socialism. Globalization, to a large extent, is a Marxist-Leninist idea: “Working men of the world unite”, “Imperialism, the higher state of capitalism”. For him, Marx’s idea of globalization at the workers’ level missed the socio-psychological tribo-national conditioning of the workers mentioned above. Lenin did recognize it, lamented it and prepared the grounds for Soviet totalitarianism. The workers, at least in the smokestack industrial sense, were bound by and to their narrow interests for jobs and livelihood.

In western democracies they unionized and used their votes to make their governments tax corporations and provide for workers’ security. With globalization that process has evolved. Nation-state governments compete to dismantle social programs and reduce taxes to attract global corporations and capital investment. Somehow, global capitalism’s versatility to move capital, raw material and products, and use labor and management beyond nation-state frontiers

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70 Cf. ibid.
and adapt to different cultural, political and legal systems has obscured the other potentials of globalization. Berger insists that Globalization does not need to be confined to capitalism. It can be capitalist, or socialist; private, or public. It can also be, and most probably should be, mixed.  

The problem is that the other aspects of social organization have been handicapped in adapting to the global dimension. Global socialism suffered from the fact that its standard bearer was the Soviet Union which aberrated it into a totalitarian regime and opposed social democracy. As for transferring globally what in social democracy was the public sector’s power to regulate the economy, combat abuses and corruption and provide social security, we lack authoritative global institutions with the means of enforcement and clear blueprints for institution-building.

Bushrui suggests the development of global ethical and legal norms. He notes that at the national level in the west, the “moral” norms of tribal and communal life were, transformed into ethical norms of civil society: One would not steal from one’s national public funds just as one would not do so from one’s own clan. How then can a civic responsibility be inculcated on global scale where, as we saw, corruption does not always have a negative social stigma? Corruption cannot be simply eradicated by conventions and installation of democratic procedures and institutions.

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And above all, what is becoming apparent is that the Ricardian international division of labor as a blueprint for global capitalism, and Marxian proletarian universal consciousness for socialism, while indeed basic principles, are rather simplistic and handicapped by more complex realities. The real global setting is made of more convoluted cast of dispersed and overlapping public and private networks and characters.

**Chapter Overview**

It is quite clear that there are many forces in Kenya’s political economy. These forces could either be internal or external. The internal forces involve the inequities inherent in Kenya’s political and economic systems. The external ones involve those ones that originate from sources other than the government’s structural orientation. It could be in the context of Kenya being an African country or the global systems could be in play. Therefore in addressing Kenya’s political economy problem, all these forces have to be considered.
CHAPTER THREE: Case Study of the Dynamics Between Economy and Politics in Kenya

Introduction

The beginning of 2008 Kenya was very much in the international news because of the violence associated with the disputed general elections of December 27, 2007. As the crisis raged, the political and economic gains the country had made since the 'first' independence of decolonization and the 'second' independence of democratization seemed to wither in this violence.1

What happened and why? The argument of this paper is very simple: first, it was not a coincidence that political and economic loss occurred at the same time. The two are connected. Economy follows politics; and second occurrence was rooted in Kenya's colonial and postcolonial histories; it reflects the intertwined challenges of development and democracy over a long period of time.

This paper seeks to map out the trajectory of Kenya's political economy over time that led to the tragic events mentioned above. The paper begins with a brief outline of the legacies of British colonialism in Kenya, whose structural underpinnings and ideological parameters were inherited by the postcolonial state. Then, it will examine, the modes of governance and development from 'first liberation' to the 'second liberation'.2 Finally, the paper will focus on the changes in political economy that occurred after 1992; after the introduction of multiparty democracy in Kenya. The paper will include some of the views that have been outlined in the literature review,

2Cf. ibid.
the political economy debates as it appears in chapter two and the views of the different people that were interviewed.


"Colonialism was, fundamentally, an economic enterprise that required political execution and ideological justification. Thus, any meaningful analysis of colonialism and its legacies in Kenya or elsewhere has to examine the nature and dynamics of colonial capitalism, the colonial state, and colonial ideology."³

For Prof. Chege, the colonization of Africa, incubated out of the new imperialism of the late 19th century, was broadly driven by the needs of the industrial capitalist countries to find markets for manufactured goods, outlets for investment, and sources of raw materials; and conditioned in different African regions by more specific dynamics, the imperatives of finance capital in North Africa, merchant capital in West Africa, mining capital in Southern Africa, and speculative capital in Central and Eastern Africa.⁴ Therefore according to him, they were not designed for the sustainable development of colonial societies. This does not of course mean that they did not transform the economic systems of these societies: new modes of production and social relations were established that were to have a profound effect on subsequent African history, as it is clearly stated by Clark, John and David when they were analyzing the political and economic reforms in Anglophone Africa.⁵

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1 Interview with Prof. Chege, an Economic Adviser to the Government of Kenya, April 10th 2010.
2 Cf. ibid.
According to Prof. Anyang Nyong'o, the colonial state was the midwife of colonial capitalism; economy follows politics. For him, it was a conquest state, established through physical violence and maintained through political violence. Created as an appendage of the imperial state, the colonial state was peculiar in that it enjoyed only some of the crucial attributes of the modern state and could not exercise many of its imperatives. As a conquest state its hegemony was excessively coercive so that it enjoyed little legitimacy.

He also contends that, its territoriality was ambiguous, its sovereignty disputed, its institutions of rule, legal order, and ideological representation were all extraverted and embedded in metropolitan practices and traditions, and its revenue base was weak. Charged with the onerous tasks of creating or promoting colonial capitalism, linking the colony to the metropole, and consolidating colonial rule, it is not surprising that the colonial state was both very interventionist and fragile, authoritarian and weak, and it exercised domination without hegemony, all of which ensured its eventual downfall much sooner than the colonizers had anticipated.

Colonial economies, states, and ideologies were diverse because of the differences among the European imperial powers and the African societies they colonized. The dynamics and nature of political, economic, and sociocultural change were determined by each

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6 Interview with Prof. Anyang Nyong'o, a Political Scientist, 3rd April, 2010.
7 Cf. ibid.
8 Cf. ibid.
region's precolonial economic, political, social, cultural, religious, and gender systems, as well as the length and extent of its contact with Europe, dynamics of resistance against colonization, and the presence or absence of European settlers. This has led several scholars to place African colonies into different categories.

First, there is the tripartite division of Africa developed by Samir Amin: the Africa of the labor reserves where Africans were primarily expected to provide labor for European colonial enterprises; the Africa of trade where African produced the bulk of commodities traded by colonial companies; and the Africa of concession companies where chartered companies enjoyed economic and administrative control over African labor and produce. \(^9\) Second, there is Thandika Mkandawire's typology distinguishing between rentier and merchant economies, in which surpluses were extracted from rents from mining and taxes from agriculture, respectively. \(^10\) Third, there is the distinction often drawn between settler and peasant economies, in which production was dominated by either peasants or European settlers. \(^11\) Under these typologies, colonial Kenya could be considered as a labor reserve economy, a merchant economy, or a settler economy.

Using the latter categorization explains much about colonialism in Kenya and its legacies.

According to Prof. Nyong'o, settler colonialism was characterized by several features: the exclusion of competition (settler control of key economic resources

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including land, allocation of infrastructure, banking, and marketing at the expense of the indigenous people); the predominance of the migrant labor system (which allows the costs of reproducing labor power to be borne in the rural reserves); generalized repression whereby direct and brutal force is used regularly; and the close intersection of race and class, in which as Frantz Fanon stated, 'you're rich because you're white, you're white because you're rich'.

Kenya's history as a settler colony is too long and complex for this paper. Suffice it to say the colonial political economy can be divided into three phases. First, from the 1890s to World War I when colonial infrastructures, institutions and ideologies were laid in the face of what historians call primary resistance (i.e., resistance against colonization). The period was characterized by the development of settler agrarian capital built on the backs of massive land alienation, coercive proletarization, varied patterns of peasantization despite efforts at marginalizing peasant production, the growth of Asian and European merchant capital, the construction of new spaces and structures of colonial socialization—the segregated colonial towns and schools, and the creation of racialized social hierarchies.

This was followed by the interwar period characterized by the consolidation of the colonial order and the rise of new challenges against it by the landless squatters, impoverished workers, and restless indigenous elites, which were reinforced by the

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12 Interview with Prof. Anyang Nyong'o, a Political Scientist, 3rd April, 2010.
14 Cf. ibid.
disasters of the Great Depression and the Second World War, which fatally undermined the promises of colonial capitalism and the supremacy of the colonial powers, respectively. From these disruptions emerged a changed colonial order in which the settlers who had expanded their production and power were pitted against the swelling armies of squatters desperate for land, peasants clamoring for access to lucrative cash crops and marketing opportunities. The expanded and increasingly militant labor force became more differentiated with the introduction of import substitution industrialization and the growth of trade unionism, and elite protest found political muscle in mass nationalism. Kenya, like much of colonial Africa, had entered the final phase of colonial rule-decolonization.

According to Prof. Nyong’o, African nationalism had a dual face: it was a struggle against European rule and hegemony and a struggle for African autonomy and reconstruction, a drive to recapture Africa's historical. Ochieng, in his Essay, A Modern History of Kenya, says that it was woven out of many strands. For him, this ignited and refueled by the specific grievances of different classes, genders, and generations against colonial oppression and exploitation, it also drew ideological inspiration from diverse sources, local and transnational, traditional and contemporary. If the nationalist movement constituted the primary institutional vehicle for nationalist expression and struggle, decolonization was the immediate objective. It cannot be overemphasized the nature and dynamics of African nationalism were exceedingly complex. To begin with, the spatial and social locus of the 'nation' imagined by the nationalists was fluid. It

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15 Interview with Prof. Anyang Nyong'o, a Political Scientist, 3rd April, 2010.
16 Cf. ibid.
could entail the expansive visions of Pan-African liberation and integration, territorial nation-building, or the invocation of ethnic identities. Secular and religious visions also competed.

The emergency was declared in order to preserve colonialism in Kenya, but, ironically, the settlers, the custodians of that very regime, were the first to be sacrificed. Soon, the Mau Mau fighters also found themselves left in the lurch, denied the right to inherit the political kingdom. In other words, the emergency generated new social and political processes that destroyed the basis of settler power, restructured the class and institutional bases of the colonial state, and altered the balance of class forces, so that both the settlers and the armed freedom fighters, the protagonists in the political crisis of 1952, became marginalized by the time of Kenya's independence in 1963.

In 1960, the principle of African independence was finally accepted, although the next three years were marked by intense political struggles and negotiations over Kenya's political future. It was during this period that political factionalism began. At the root of this factionalism, which became less ideological and more ethnic and regional, lay the conjuncture of approaching independence in a society suffering from acute uneven development. Uneven development in Kenya, as in other colonies, corresponded to, and was intersected by, regional, ethnic, and class factors. This did occur some years after independence. Immediately after the independence, things moved smoothly, and there was gradual economic development. This is in line with what Prof. Wanyande contended in the literature review.\(^8\) In spite of the emergency—in fact, because

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of it—the Central Province, populated mostly by the Kikuyu, had continued its relatively fast level of development.

This ensured that the Kikuyu petty bourgeoisie, numerically the largest in the country, would be central to any post-colonial dispensation. But during the emergency, political leadership of the nationalist movement had passed on to a leadership that was predominantly Luo, the second largest nationality in Kenya, inhabiting a region that was also significantly penetrated by colonial capitalism, albeit in different forms. By the time the emergency was lifted and Kikuyu leaders were allowed to reenter politics, Luo leaders such as Mboya and Odinga were sufficiently entrenched not to fear for their positions and influence, although the overall scope of leadership conflict was broadened, thus making it more intense and open.

The same could not be said of the Rift Valley and the coastal regions where colonial capitalism was less developed and their petty-bourgeois classes were much smaller and more vulnerable at the national level. The Kalenjin peoples of the Rift Valley lived in close geographic proximity to the so-called White Highlands bordering their areas. They feared not only the possibility that the Kikuyu would override these claims but also that they might 'colonize' their areas, especially now that there were tens of thousands of landless Kikuyu agitating for land. The official anti-Kikuyu propaganda of the emergency merely served to inflate these fears. The Kalenjin and other smaller ethnic groups sought to protect their interests by campaigning for regionalism, for federated rather than centralized government.

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19 Interview with Prof. Wanyande, a political scientist, 28th March, 2010.
20 Ibid.
21 Ibid.
This is something that is going on even now. The people of the rift valley, who are mainly Kalenjins are pushing for regional governments to be entrenched in the new constitution.22

This concurs with Ochieng's argument in his Essay, A Modern History of Kenya, that underlying the broader regional cleavages, there were local social, economic, and political divisions that provided the basis for local factional and leadership rivalries and future inter-ethnic and inter-regional political realignments.23 This later would determine how resources would be distributed throughout the country after independence. Those communities that supported the person in power got a bigger share of the 'national cake' and vice versa.

1992 and Beyond: Towards a Democracy and Economic Development?

The road to democracy in Africa has proved long and arduous. In 1990, all but five of Africa's 54 countries were dictatorships, either civilian or military. By 2000, the majority of these countries had introduced political reforms and had become either democratic or were in the process of becoming so. The African transitions to democracy from the late 1980s were quite varied and characterized by progress, blockages, and reversals. According to Prof. Okoth Okombo, the actual mechanisms and modalities of transition from dictatorship to democracy took three broad paths.24

22 Ibid.
24 Interview with Prof. Okoth Okombo, a Social Scientist, 13th April, 2010.
First, there were countries in which opposition parties were legalized and multiparty elections authorized through amendments to the existing constitutions by the incumbent regime. This pattern was followed mainly in one-party states in which the opposition forces were too weak or fragmented to force national regime capitulation and the regimes still enjoyed considerable repressive resources and hegemonic capacities. Second, there were countries where the transition to democracy was effected through national conferences in which members of the political class and the elites of civil society came together to forge a new political and constitutional order.

Finally, there was the path of managed transition pursued by military regimes, which tried to oversee and tightly control the process and pace of political reform. For him, Kenya fell into the first category.

Fundamental to the question of democracy in Africa have been different conceptions and visions of what democracy means and entails. It is important to point out here that the views range from minimalist conceptions of liberal democracy, emphasizing competitive electoral processes and respect for civil and political rights, to maximalist notions of social democracy embracing material development, equality and empowerment, and respect for the so-called three generations of rights: civil and political, social and economic, and development or solidarity rights.

Five prescriptive models can be identified in the writings of African political thinkers and leaders, what Prof. Nyong'o calls the nativist, liberal, popular democratic, theocratic, and transnational models. The first, seeks to anchor democracy in traditional institutions of

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26 Cf. ibid.

26 Interview with Prof. Anyang Nyong’o, a Political Scientist, 3rd April, 2010.
governance; the second limits democracy to multiparty politics and periodic electoral contests to promote the trinity of good governance-efficiency, accountability, and transparency; the third, advocates basing both the political and economic domains on democratic principles; the fourth, invokes religious visions and discourses about political transformation and organization; the fifth, offers seeks the reconstitution of African states through their regionalization to meet the challenges of both colonial balkanization and contemporary globalization.27

The transition to democracy in Kenya started at the turn of the 1990s with the resurgence of civil society organizations. It was in this climate that the opposition political parties emerged. They were comprised of disaffected renegades from the ruling party (KANU) keen to regain their access to the spoils of state power, civil society activists committed to reforming the political system, and underground militants ready to challenge the regime openly. The three groups sought restorative, reformative, and transformative agendas, respectively.

As the struggles for democratization intensified, western donors rediscovered the virtues of good governance and minimalist democracy and sought to channel the process by increasing political conditionalities for loans prior to the elections of 1992 ad 1997 and tempering the demands of the opposition during electoral intervals.

The failure to dislodge KANU from power in the two elections showed the limits of the civil society organizations and opposition parties. The opposition parties were driven by factionalism, ethnocentrism, and the egotistical ambitions of their founders, and debilitated by low levels of institutionalization, internal democracy, shortages of resources, and the inability to define

27 Cf. ibid.
distinctive party policies and programs, as pointed out by Prof. Wanyande in the Literature Review.²⁸

This proved perilous in the face continued dominance of the ruling party and its capacity to harass, intimidate, co-opt members of the opposition, and sponsor ethnic clashes to undermine the appeal of multiparty politics and terrorize opposition supporters. In 1992 ethnic clashes ravaged the Rift Valley and in 1997 the coastal province.

In the 2002 general elections, the opposition parties banded together dislodged KANU from office, bringing to an end nearly 40 years of KANU rule. Kenyans were electrified by the possibilities of the new era: by the tantalizing possibilities of constructing a new democratic developmental state. The early signs seemed promising as political and civil freedoms expanded and the economic stagnation receded; the country's economic growth rate jumped from 0.6% in 2002 to 6.1% in 2006.²⁹ Buoyed by this robust growth, the government unveiled its ambitious Kenya Vision 2030, a development blueprint to turn Kenya into a newly industrializing 'middle income country providing high quality of life for all its citizens by the year 2030.'³⁰ According to industrialization minister and Vision 2030, Henry Kosgey, this represented the fourth phase of postcolonial Kenya's development strategy that sought to reprise the ambitions of the first two and redress the lessons of the third.³¹

³⁰ Cf. ibid.
³¹ Interview with Henry Kosgey, Industrialization Minister and Vision 2030, April 16th 2010.
But the euphoria did not last, for the social and structural deformities of the postcolony remained as entrenched as ever. Although the next five years saw the growth of both democracy and the economy, the marriage between democracy and development remained unfulfilled. The 2007 elections had promised to achieve an extraordinary development: unseating an incumbent president through the ballot box after only five years in power but this did not happen. This would have been unprecedented in Kenyan history, and is rare in Africa where incumbents typically serve the constitutional two terms and some even try to rig their way into illicit third terms.

It is one of the ironies of contemporary Africa that countries that have enjoyed political stability since independence such as Kenya, Malawi, and Senegal, are still ruled by the nationalist generation that brought independence, while the countries with more turbulent histories have long made the generational transition. In this sense, the Kenyan election was a referendum between the older and the younger generations. For Wanyande, president Kibaki and his PNU (Party of National Unity) run on this economic record, while the opposition claimed it could achieve even faster growth unadulterated by corruption. One sought continuity, the other promised change. In reality, there was little difference in the programs of the PNU and ODM and their contending presidential candidates.32

As is often the case in such contexts, the absence of policy differences was more than made up by the personality and symbolic differences of populism in which Mr. Odinga bested the president. For Chege, the contestation between continuity and change in the elections partly 32 Interview with Prof. Wanyande, a political scientist, 28th March, 2010.
reflected the glaring mismatch between growth and development, both socially and spatially, and tapped into deep yearnings for a new socioeconomic dispensation, a restless hunger for broad-based development frustrated by neo-liberal growth.33 Kenya's economic recovery from 2002 largely benefited the middle classes rather than the workers and peasants. Even among the middle classes, the benefits flowed unequally between those in the rapidly expanding private service sectors rather than in the retrenched and decapitalized public sectors, which has been under assault since the days of structural adjustment in the 1980s.34 For many Kenyans, therefore, the economy may be doing well, but they are not.

Chapter Overview

If the economic growth after 2002 stoked expectations of development, the unequal distribution of wealth thwarted those expectations and engendered popular frustration, while democracy gave a new vent to express the frustrations. Anti-corruption discourse, the widespread popular distaste against corruption was both real and rhetorical in so far it reflected disgust at actual corruption scandals and invoked deep disaffection among many Kenyans who felt left out of the rapidly growing economy, a critique of rising economic class inequalities. In the authoritarian past there was no political alternative to the one-party state, now the discontented electorate could transfer its hopes for development to the opposition, even if the investment in the opposition did not promise to yield different dividends.

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Interview with Prof. Chege, an Economic Adviser to the Government of Kenya, April 10th 2010.
Cf. ibid.
But class is not a reliable predictor of political loyalties and voting behavior even in the so-called developed countries. Often far more powerful are the constructed identities of ethnicity or race. This is not simply because politicians mobilize ethnicity for electoral purposes, which they do and Kenyan politicians are notoriously adept at playing the ethnic card. As Okoth Okombo Asserts, general elections are performances played out on two different levels: elections for members of parliament are local or regional political events, elections for the president are national events. The former tend to be characterized by intra-ethnic or intra-regional contestations in which members of the same region or ethnicity compete and lose to each other, while in the latter electoral competition and behavior mutate into inter-ethnic or inter-regional contestations. Thus, while many politicians lost in their own constituencies among their ‘own’ people, it was the presidential election that inflamed regional and ethnic passions.

Media reports on the Kenyan elections and post-electoral violence blamed them on the proverbial ‘tribalism’ of African politics. The ethnicization of politics in Africa or Kenya is not simply the result of elite political manipulations or primordial cultural affectations among the masses, even if the elites do indeed use ethnicity and the masses are mobilized by it. Imagined ethnic and national histories are of course not about the past, but the present; they are part of the discursive and political arsenal for claim making in the present and for the future. As we have learned from African studies, we need to distinguish between ‘moral ethnicity’, that is, ethnicity

\[35\text{Interview with Prof. Okoth Okombo, a Social Scientist, 13th April, 2010.}\]

\[36\text{Interview with Prof. Okoth Okombo, a Social Scientist, 13th April, 2010.}\]
as a complex web of social obligations and belonging, and 'political ethnicity', that is, the competitive confrontation of 'ethnic contenders' for state power and national resources.

Both are socially constructed, but one as an identity, the other as an ideology. Ethnicity may serve as a cultural public for the masses estranged from the civic public of the elites, a sanctuary that extends its comforts and protective tentacles to the victims of political disenfranchisement, economic impoverishment, state terror and group rivalry. In other words, it is not the existence of ethnic groups (or racial groups) that is a problem in itself, a predictor of social conviviality or conflict, but their political mobilization.

Ethnicity in Kenya is tied in complex and contradictory ways to the enduring legacies of colonial and postcolonial uneven regional development. The ethnic narrative of Kikuyu-Luo rivalries tends to ignore a simple fact that not all Kikuyus are dominant and not all Luos are disempowered. Colonial, neo-colonial and neo-liberal capitalisms have bred class differentiations within communities as much as they have led to uneven development among regions.

In other words, Kikuyu and Luo elites have much more in common with each other than they do with their co-ethnics among peasants and workers who also have more in common with each other across ethnic boundaries than with their respective elites. This is a reality that both the elites and the masses strategically ignore during competitive national elections, because the
former need to mobilize and manipulate their ethnic constituencies in intra-elite struggles for power, and the latter because elections offer one of the few moments to shake the elites for the crumbs of development for themselves and their areas.

Democratization is a work in progress all over the world, notwithstanding claims of democratic maturity in some countries. The recent Kenyan crisis underscores the severe challenges of democratic transition, never mind the questions it raises about the prospects of democratic consolidation. The challenges facing Kenya and Africa's democratic experiments in general are many and complex indeed. They include the reconstruction of the postcolonial state, decentralization and devolution of power, entrenching constitutionalism, safeguarding human rights and the rule of law, instituting structures for the effective management of ethnic and other cultural diversities, promoting sustainable development, reducing uneven development, empowering women, promoting the youth, and managing globalization.

This demands a leadership that is truly up to the challenge, a leadership that pursues a national project of profound social transformation that eschews narrow and shortsighted exclusionary politics and neo-liberal economic growth. Kenya's contenders for power in the recent elections seemed keen to retain or gain power at all costs. The power struggle was as sinister as the differences among the leaders were small. But often it is the very narcissism of minor differences that breeds gratuitous violence and viciousness as histories of genocide demonstrate.
The leading politicians engaged in combat whose followers were busy tearing their lovely country apart were members of the same recycled political class committed to neo-liberal growth that offer no real solutions to Kenya's enduring challenges of growth and development.
CHAPTER FOUR: Analysis of Politics and Economy Dynamics

This chapter is going to carry out an analysis based on the literature review that was carried out in chapter one, the various debates that were advanced in chapter two and finally the case study that was carried out in chapter three. References to these chapters will be made frequently to these chapters. This analysis will first focus on the Kenyan situation after which it will move to the global picture. In the Kenyan situation it will link what the interviewers said with the available data.

On the global scenario it will proceed by clearly showing how hegemony has played part in shaping the global political economy and that of Kenya inclusive. It will start by giving the definition of hegemony. The focus will then shift to Kenya. First the paper will analyze the views of Prof. Wanyande and Chege during the interview (Chapter three pp. 83-85) vis a viz the available data. Later the analysis will concentrate on showing that Kenya needs political stability for economic development. This will be done by going through Kenya’s history as far as the economy is concerned and linking it to the prevailing economic situation at the time.

Relationship Between Political Stability and Economic Development in Kenya

It was clear from the interview (Interview with Prof. Wanyande p. 81) that after independence, Kenya promoted rapid economic growth through public investment, encouragement of smallholder agricultural production, and incentives for private (often foreign) industrial investment. Though this was later done on tribal basis, it was not so immediately after
independence. Gross domestic product (GDP) grew at an annual average of 6.6% from 1963 to 1973. This was due to political tranquility that prevailed at the time. There was some sense of Nationhood due to the excitement of achieving the independence.

After experiencing moderately high growth rates during the 1960s and 1970s, Kenya's economic performance during the 1980s and 1990s was far below its potential. The economy grew by an annual average of only 1.5% between 1997 and 2002, which was below the population growth estimated at 2.5% per annum, leading to a decline in per capita incomes. The decline in economic performance was largely due to inappropriate agricultural, land, and industrial policies compounded by poor international terms of trade. Increased government intrusion into the private sector and import substitution policies made manufacturing sector uncompetitive. Things were made worse by the bureaucracies within the government that were tribal in nature as it is well pinpointed by Prof. Okoth Okombo in the interview (Chapter 3 p. 91). The policy environment along with tight import controls, and foreign exchange controls made the domestic environment for investment unattractive for both foreign and domestic investors.

From 1991 to 1993, Kenya had its worst economic performance since independence. This was the time when it was still struggling with the introduction of the multi party politics. Growth in GDP stagnated, and agricultural production shrank at an annual rate of 3.9%. Inflation reached a record 100% in August 1993, and the government's budget deficit was over 10% of GDP. As a result of these combined problems, bilateral and multilateral donors suspended program aid to

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Cf. ibid.
Kenya in 1991. This suspension was due to the government refusing to allow for multiparty politics.

In the mid-1990s, the government implemented economic reform measures to stabilize the economy and restore sustainable growth. In 1994, nearly all administrative controls on producer and retail prices, imports, foreign exchange, and grain marketing were removed. The Government of Kenya privatized a range of publicly owned companies, reduced the number of civil servants, and introduced conservative fiscal and monetary policies. By the mid-1990s, the government lifted price controls on petroleum products. In 1995, foreigners were allowed to invest in the Nairobi Stock Exchange (NSE). In July 1997, the Government of Kenya refused to meet commitments made earlier to the International Monetary Fund (IMF) on governance reforms. As a result, the IMF suspended lending for 3 years, and the World Bank also put a $90-million structural adjustment credit on hold.\(^5\)

The Government of Kenya took some positive steps on reform, including the establishment of the Kenyan Anti-Corruption Authority in 1999, and the adoption of measures to improve the transparency of government procurements and reduce the government payroll. In July 2000, the IMF signed a $150 million Poverty Reduction and Growth Facility (PRGF), and the World Bank followed suit shortly after with a $157 million Economic and Public Sector Reform credit. The Anti-Corruption Authority was declared unconstitutional in December 2000, and other parts of the reform effort faltered in 2001. The IMF and World Bank again suspended their programs.

\(^5\)Cf. ibid.
Economic growth began to recover after 2002, registering 2.8% growth in 2003, 4.3% in 2004, 5.8% in 2005, 6.1% in 2006, and 7.0% in 2007. The year 2002 is known as the second liberation year. This is because it was the first time that the opposition party won the elections. The political tranquility was reflected in the drastic economic growth. However, the violence that broke out after the December 27, 2007 general election paralyzed the economy in January and early February 2008 and closed the Northern Corridor in Rift Valley province, cutting off vital shipments of fuel and other goods to Uganda, Rwanda, Burundi, eastern Democratic Republic of the Congo and South Sudan. Tourists fled, and agricultural production in the breadbasket Rift Valley region was crippled. The manufacturing sector had to cut back operations by 70%, as unsafe roads prevented movement of workers, inputs, or products, and congestion at the Port of Mombasa slowed imports and exports.

The signing of a reconciliation agreement on February 28, 2008 put the economy back on track, but the damage in the first quarter to agriculture, tourism, consumption, investment, and the financial, transport, and construction sectors shaved 2008 economic growth from the 8% forecast to below 3%. Governments in major source countries for tourists to Kenya had lifted their travel advisories, and the Kenyan Government and tourism industry made strenuous efforts to bring tourists back, but revenues were a small fraction of the approximately $1 billion earned in 2007.

During President Kibaki's first term in office (2003-2007), the Government of Kenya began an ambitious economic reform program and resumed its cooperation with the World Bank and the

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IMF. The National Rainbow Coalition (NARC) government enacted the Anti-Corruption and Economic Crimes Act and Public Officers Ethics Act in May 2003 aimed at fighting graft in public offices. There was some movement to reduce corruption in 2003, but the government did not sustain that momentum. Other reforms, especially in the judiciary, public procurement, etc., led to the unlocking of donor aid and a renewed hope of economic revival.

In November 2003, following the signing into law of key anti-corruption legislation and other reforms by the Kibaki government, donors reengaged as the IMF approved a 3-year $250 million Poverty Reduction and Growth Facility (PRGF) and donors committed $4.2 billion in support over 4 years. In December 2004, the IMF approved Kenya’s Poverty Reduction and Growth Facility arrangement equivalent to U.S. $252.8 million to support the government’s economic and governance reforms. The IMF program concluded without full implementation. In May 2009, the IMF Board approved a disbursement of approximately $200 million under its Exogenous Shock Facility (ESF), which was designed to provide policy support and financial assistance to low-income countries facing exogenous but temporary shocks. The ESF resources are meant to help Kenya recover from the negative impact of higher food and international fuel and fertilizer costs, and the slowdown in external demand associated with the global financial crisis.

The government’s ability to stimulate economic demand through fiscal and monetary policy remained fairly limited, while the pace at which the government was pursuing reforms in other key areas remained slow. The Privatization Law was enacted in 2005, but only became


Cf. ibid.
operational as of January 1, 2008. Parastatals Kenya Electricity Generating Company (KenGen),
Telkom Kenya, and Kenya Re-Insurance have been privatized. Kenya Railways is operating
under a long-term management concession, and the government sold 25% of Safaricom (10
billion shares) in 2008, reducing its share to 35%.\textsuperscript{10}

Accelerating growth to achieve Kenya's potential and reduce the poverty that afflicts about 46%
of its population will require continued de-regulation of business, improved delivery of
government services, addressing structural reforms, massive investment in new infrastructure
especially roads), reduction of chronic insecurity caused by crime, and improved economic
governance generally. The government's Vision 2030 plan calls for these reforms, but
implementation will be delayed by the reconstruction effort, coalition politics, and line
ministries' limited capacity. In June 2008, the government introduced a revised but still
ambitious Vision 2030 plan that seeks to address the economic challenges stemming from the
political crisis while still striving to meet growth benchmarks.

Economic expansion was fairly broad-based and was built on a stable macro-environment
fostered by government, and the resilience, resourcefulness, and improved confidence of the
private sector. Despite the post-election crisis, after the signing of the deal to form a coalition
government Nairobi regained its status as the primary communication and financial hub of East
Africa. This shows again shows how politics can have an impact in the economy. This should be
taken with great concern now that business largely depends on communication infrastructure.

\textsuperscript{10} Leonard Sirowy, and Inkeles, A. (1990). \textit{The Effects of Democracy on Economic Growth and Inequality: A
Nairobi enjoys the region's best transportation linkages, communications infrastructure, and trained personnel, although these advantages are less prominent than in past years.

In 2008, tea exports regained top place in exports with a total of $850 million, while fresh horticulture exports fell to $838 million (from a record high of U.S. $1.12 billion in 2007).


Kenya is pursuing regional economic integration, which will enhance long-term growth prospects. In March 1996, the Presidents of Kenya, Tanzania, and Uganda re-established the East African Community (EAC). The EAC's objectives include harmonizing tariffs and customs regimes, free movement of people, and improving regional infrastructures. In March 2004, the three East African countries signed a Customs Union Agreement paving the way for a common market.

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12 Cf. ibid.
The Customs Union and a Common External Tariff were established on January 1, 2005, but the EAC countries are still working out exceptions to the tariff. Rwanda and Burundi joined the community in July 2007.\textsuperscript{13}

In May 2007, during a Common Market for Eastern and Southern Africa (COMESA) summit, 13 heads of state endorsed a move to adopt a COMESA customs union and set December 8, 2008 as the target date for its adoption. In October 2008, the heads of state of EAC, COMESA, and the Southern African Development Community (SADC) agreed to work toward a free trade area among all three economic groups with the eventual goal of establishing a customs union.\textsuperscript{14} If realized, the Tripartite Free Trade area would cover 26 countries. If EAC will end up to be a political federation then this will enhance the political economy, not only of Kenya, but the region as a whole.

**The Global Political Economy: A world of Hegemony**

"Global hegemony" might be defined as a situation in which one nation-state plays a predominant role in organizing, regulating, and stabilizing the world political economy. The use of armed force has always been an inseparable part of hegemony, but military power depends upon the economic resources at the disposal of the state.


It is clear from the arguments advanced that at every moment there is hegemony, either advanced by one or more countries. Such countries push their economic agenda through politics. One of such hegemony is colonization, as it was put by Prof. Chege during the interview, “Colonialism was fundamentally, an economic enterprise that required political execution and ideological justification” (Chapter Three - 1963-1992: The Political Economy of Colonialism and Its Legacies). Some of their effects are still being experienced up to now. This starts right from the geo-political boundaries that were placed by them, as it is well noted by Acemoglu, Johnson and Robinson in chapter one (Chapter I – Contribution of Colonialism to Economic Development).

Britannia ruled the waves from 1815 to 1913, but by the 1890s she was under economic challenge from the United States and Germany, and between the two world wars was no longer able to function as underwriter to the world system. U.S. hegemony began during the Second World War and peaked some thirty years later. The United States still has immense—unequalled—power in international economics and politics, but even as the sole superpower it finds itself less able than it once was to influence and control the course of events abroad. Its military supremacy is no longer matched in the economic and political spheres. Though this hegemony is now being challenged by China, Japan, the European Union among others, still America maintains some superiority and it has a lot of say as far as the global political economy is concerned.
Chapter one clearly demonstrated how different scholars have argued out, through the various literature, the connection between politics and economy. Some say that such a link exists while others deny. Even for those who accept, they differ in the source and the nature of the linkage depending on whether one is a liberalist or a Marxist or underdevelopment theorist.

From chapter two it is clear that the players in the Kenyan political economy are both external and internal. There are some Kenyan internal systems that shape its political economy. One thing that came out clearly was that, for internal systems, it is majorly influenced by the political orientation in place. Also Kenya suffers some political economy problems just by virtue of it being an African country. This came as a result of those policies that are introduced in blanket form by Western countries to African countries. We cannot also undermine the global forces at play. The global forces came in the push for all states to be democratized. Some of these push come with conditions attached which are economic in nature. This also came out clearly in chapter two.

Many scholars in economics and politics were interviewed in chapter three. What came out clearly was that they all conceded that there is a close connection between politics and economy. Some gave the sequence of Kenya’s political economy growth from independence, noting some of these structures were inherited blindly. It also came out
clearly from those interviewed that democracy does not necessarily enhance economic development, but political stability does.

Chapter four carried out the analysis of chapter three. The following were clear: SAPs did more harm to Kenya than good; the global hegemony makes LDC and developing countries prone to weak economy by such hegemony meeting their political or economic end. There is a close link between political stability and economic growth and consequently by economic development.

It also came out clear in chapter four that the Kenyan economy did well immediately after independence. This is associated to the political stability that ensued that time. Kenya had just gained her independence that people had been looking for a very long time. There was therefore a sigh of relief that led to some political stability which was reflected in the improved economic development.

From the above summary, it is clear that the general objective of political stability having an impact in economic development was met. In sub-objective number one, Kenya’s economy still performed poorly even after the introduction of multiparty politics. This by extension proved sub-objective number two that wanted to demonstrate that it does not matter what political system is in place, what matters is the political stability.

The hypothesis that politics has an impact to the economy is true. And here the difference between political system and political stability has to be made. Political system does not
necessarily enhance economic development but political stability does. When there is political stability, there is high rate of economic development and vice versa. This came out clearly by showing that any moment in Kenya's history that there was political tranquility the economy did well some of which trickled down to enhance economic development.

The Way Forward

The bigger part of economic development responsibility is bestowed upon the political wing which is normally in form of a government together with its processes and structures. Therefore the way forward suggested by this paper is a strategy to be employed by the political wing to meet the economic development goal.

Reclaiming Development Agenda

It came out in this paper (during the discussion on global system influence Kenya's economic development agenda) that many of the national development agenda has been ceded to development partners and donors. In many areas, that the government has not been the leader in providing the solutions to public problems and that the development partners have used their control of finance to unduly influence decisions. Government therefore needs to show its commitment to national development by fully reclaiming the development agenda.

Because government is elected by Kenyans, it should be subject to the influence of the electorate and pursue economic objectives that increase public welfare. This demand for
the government to reclaim national development agenda means that its decisions will be
made subject to the domestic constituency and much less to financial institutions to
which the country is indebted already. In essence, the national policies in Kenya should
be determined to the extent possible by Kenyans and elected representatives and thereby
reflect progressive Kenyan interests. The recommendation is for government to reform its
relationship with donors and development partners.

What is has also to be taken in to account is the constant lopsided image of development
presented to the developing countries by the West. In the colonial and neo-colonial
periods when the West was imposing development on non-Western cultures, it
transferred its technology, industry and administration to those regions to the extent
which made those cultures appendages of the West.¹ In the present post-colonial era,
developing countries are exposed to and are emulating a phase of Western evolution
which, in many ways, is an aberration of the traditional philosophies which served as the
bedrock of capitalism.

One of the more significant features of Western development was the expected change in
the individual's attitude towards society: from traditional clannish and tribal loyalty and
aristocratic fealty to modern social responsibility and accountability. It was the
transformation of the political institutions and social organization from the "sovereign's
officials" into "civil servants".² In the traditional culture, it was assumed that obtaining
services and favors from the prince's vassals and appointees implied offerings - payment.

¹ Chayes, A. & A. H. Chayes, The New Sovereignty: Compliance with International Regulatory
² Cordridge S. et al. (eds), Money, Power and Space, Oxford, Blackwell, 1994, p. 78.
After all, they sought their own enrichment and were tributaries to the prince. The civil society which evolved with the development of bourgeois capitalism and industrial revolution expected civil servants to render service impartially and against remuneration by the socio-political structures.

Payment to civil servants for favors could warp the economic process and thus became an immoral act: corruption. Corruption could indeed jeopardize competitive free enterprise. Honesty of officials and their social responsibility and accountability became an essential expectation in Western culture's moral standards. But the transition was not altogether corresponding to basic human tendency towards clannish belonging, the drive for gain and the difficulty to identify with social abstractions; especially where remuneration was not adequate for a comfortable life -- or so deemed by the recipients -- and solicitations and temptations were present. The transition had to take place through social conditioning and inculcation of social moral principles. It was a continuous process and still is.

The emphasis of early Western capitalist ethics on production rather than consumption produced surplus. Internationally, the surplus created stronger nations which competed with each other, expanded and clashed. Socially, concentration of wealth in few hands called for ways of making redistribution of wealth possible, giving rise to such concepts as Christian charity, socialism, communism and now consumerism. Each of these

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concepts has had its own flaws, generally because of their incompatibilities with human realities. The current trend of consumerism is expected to generate enough circulation of wealth to provide jobs for people and taxes for the government. The correlation between consumerism and creation of jobs and distribution of wealth is not obvious. Automation and computer technology are reducing the need for manpower and pushing the bulk of jobs to the lower rungs of services, not necessarily providing equitable distribution of wealth.

Furthermore, consumerism clashes with environmental concerns. According to Ohme, the West are releasing its waste into the rivers and seas in the much less inhabited world of nineteenth and early twentieth centuries, and graduated from carbon dioxide and industrial waste to carbon monoxide of cars and CFCs' of refrigerators and aerosol sprays. For him, if the developing countries with their billions of population were to embark on that same path the air of the earth will soon become unbreathable and its waters undrinkable. It is not the developing countries that should emulate the West, but the West which should review its course. These are aberrations of basic Western traditional values. In the long run, these are not sustainable trends. The idea here is not to suggest that developing countries should not develop; but that in choosing their course

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9 Cf. ibid.
towards development they could examine the value system that made Western
development possible and by observing the West's mistakes avoid repeating them.11

By addressing the question of education with an open perspective, rather than emulating
Western patterns, developing countries could lay the foundations for cultures which could
improve on Western models.12 It is no longer practical to obstruct the tantalizing waves
from TV satellites, but it is possible to sensitize the population and particularly the young
to the environmental, social and cultural dead-ends of consumerism.

Most developing countries still have traditional patterns and the elements of discipline
within their educational systems.13 Rather than abandoning them for the more lax but
specializing and limiting Western educational methods, they could adapt their
educational systems to include the ideas of enlightenment, rational thought, the dignity of
labor, and social responsibility, not as a one dimensional straight jacket of a job to keep
people out of trouble, but as a productive process which contributes to the formation of
productive capital and social development. By providing a well rounded education
extending into adulthood developing countries can create the alternative of moderate
consumption and enjoyment of life. It is through education, for example, that developing
countries could drum up support for their public transportation projects countering the

11 Cf. ibid.
12 Kennedy Polanyi, The Great Transformation: The Political and Economic Origins of Our Time,
Boston, Beacon, 1944, p. 54.
13 William Reinicke, Global Public Policy: Governing without Government, Washington (DC), Brookings,
temptations of one person/one car culture which tends at once to alienate people, congest the traffic, pollute the environment and exhaust resources.\textsuperscript{14}

As Western experts, engineers, managers, lawyers, administrators and advisors go about day after day transferring their technology to the developing countries, it is not only their techniques but their psyche that the non-Western cultures could delve into. To rationalize an economy, to make it practical, one does not only use technology but rational thinking and pragmatism, dedication, motivation and a sense of social responsibility. These valuational aspects of Western culture are essential components of development and technology transfer.

\textit{Provision of Incentives}

Since it is clear that there exists a close connection between politics and economy, the political machinery should ensure that there is the provision of incentives for individuals and firms to create wealth. There cannot be economic development without wealth. Apart from the proposed incentives, the issue of the security of people and their property should be ensured because business activity suffers from seasonal or permanent insecurity in many parts of the country. All these are machineries that can be provided by the political wing of a state.

\textit{Fighting Corruption}

It came out clearly from the paper that corruption is a contributor to slow pace of economic development. It was also clear that the political wing are the major culprits. Therefore, one of the goals of the government must involve the display of visible efforts to restore the confidence of individuals and investors. This must be done through a systematic investigation and prosecution of corrupt public officers to ensure that public servants are less likely to engage in corrupt practices. In this regard, the government to ensure that the members of the cabinet and other elected officials will make public declarations of their wealth and existing financial interests. Other initiatives could involve the establishment of a framework to address corruption holistically. This can be accomplished through the prioritized set of bills for debate in parliament. These bills should include the redrafting of Anti-Corruption Bill to tackle economic crimes and another specifying the legal provisions for privatization of state owned enterprises.

_Broad Policy Priorities_  
This paper has clearly demonstrated that poor governance is one of the major causes of slow pace of economic development. This comes as a result of poor policies. This paper therefore suggests that the government needs to meet the challenge of competing demands by identifying the broad policy priorities. These priorities should focus on the longer term since businesses and investors operate on long term perspectives. Through clear sector and national policies, both local and foreign investment will be facilitated for the long term.
Expenditure Monitoring

Proper use of public finances should also be targeted to stimulate savings and capital formation. The Efficiency Monitoring Unit (EMU) should not only serve the purpose of monitoring the use of funds but perform quality audits to determine the efficiency of expenditure within government. Through this consistent monitoring, government will be able to continually review expenditure and save on the waste of public resources. Significance of the need for EMU is supported by disclosures that up to 62 billion Kenya Shillings are routinely wasted per annum. This endeavor to strengthen the EMU would address the need to ensure efficient use of public funds and maximize their positive effect majorly bringing about economic development.

Establishment of Infrastructure

Development of physical infrastructure should not be limited to the road network. A consolidated approach to the development of physical infrastructure requires attention to produce adequate quantities of electric power, efficient telecommunications and adequate water supply. Granted that the infrastructure requirements exceed the ability of government to pay, innovative methods for infrastructure financing must be explored. This will not only require the understanding of public sector limitations but also the definition of the roles that the private sector may play in infrastructure financing through focused Public Private Partnerships (PPPs). This can only come through a good political will.

It is imperative that the modalities for appropriate PPPs be outlined to enable the private sector to invest in infrastructure projects throughout the country. By this approach, the infrastructure needs of the country will be met in good time without necessarily increasing the public debt. However, for these partnerships to develop, government must be willing to recognize the resource advantages that the private sector would bring to a project in terms of technical capability, technology, and the ability to complete projects promptly and cost effectively.

*Public Expenditure Review*

Because the government in most cases articulate an elaborate agenda, it is important for an audit of the civil service capacity to be conducted. These wide ranging reforms are justified but they will represent major implementation challenges because they will definitely stretch government resources and human resources capacity. This calls for the systematic implementation of the reforms in line with the identified priorities to ensure that the resources are used in the most optimal manner. Kenyans must begin to see the link between the cost of maintaining the civil service and overall economic performance.

Added to this point is the larger issue of public expenditure review to determine the most appropriate use of government human and financial resources. Public expenditure review is important in the short term also because it should be used to inform the government’s budget making processes. Recurrent expenditures have for a long time been rising with the result that the public investments and savings have been insufficient. This imbalance in government expenditures between recurrent and development expenditures is illustrated by the fact that nearly 85% of the 2002-2003 Budget expenses comprised of
recurrent expenditures. The implication is that much less money is available for capital expenditures and savings. On the other hand, the proposed public expenditure review should aim at identifying and building the required skills and reorient the civil service towards a performance-driven culture.

*Restructure Government Borrowing*

Heavy borrowing by government has affected the amount of credit available to the private sector. Reduction of government borrowing through short-term instruments will have the added advantage of moderating the interest rates and thereby provide the opportunity for more credit by private sector for investment in firms. From this increased investment will also raise further employment as firms expand their capacity for production of goods and provision of services within the domestic and international markets.

*Integrating the Economy*

In recent years, the poor economic performance has been accompanied by rising unemployment. This was due to the poor economic performance and increased poverty which affected the formal sector firms. However, while employment has been contracting in the formal sector, the informal sector has experienced rapid growth. Recognition of the non-formal sector has risen substantially as seen in the commitment by the last government to encourage entrepreneurial activity by individuals who may not have secured formal employment.
The further growth of the non-formal sector in the economy may be laudable as far as the provision of employment is concerned, but this artificial separation within the economy may retard growth and thereafter development. The policy option is for government to begin to think beyond providing an incentive structure for firms and begin to work towards the integration of the entire economy. The central idea is to recognize that respect for property rights allows for the integration of the entire economy. The advantages inherent in the integration of the economy will justify the cost of beginning the implementation of the reforms necessary for transformation of the large non-formal sector.

Parting Shot

The political leadership in Kenya should provide an atmosphere for new approaches to the socio-economic problems facing the country. The main role of the government must be the task of raising the growth and economic development levels. This can be accomplished by the provision of public services as security, healthcare, infrastructure, education through a working civil service. Most important though is that the government must consider new approaches to tackling the numerous challenges it faces by looking to the private sector to lead in economic activities. Finally, in view of the optimism that exists, it is essential for the government to make optimum use the opportunities that exist to get the whole country towards growth and development again and change the state of the nation.
Interview Schedule

1. Did colonialism have in contributions to the current political economy situation in Kenya?
2. Is development evenly distributed in Kenya?
3. What is the link between politics and development in Kenya?
4. Is there any plan for the future of political economy?
5. What was the impact of 2008 political unrests to the Kenyan economy?
6. What was the contribution of Structural Adjustment Programmes (SAPs) to Kenyan politics and by extension the economy?

People Interviewed

1. Prof. Anyang Nyong’o, a political scientist and a former lecturer
2. Henry Kosgey, Industrialization minister and Vision 2030
3. Prof. Chege, the government economic adviser
4. Prof. Wanyande, a political scientist and a lecturer
5. Prof. Okoth Okombo, a social scientist and a lecturer
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