Lords of Uhuru: the political economy of elite competition and institutional change in post-independence Kenya

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- (iv) Discussing conceptual frameworks for making sense of the interaction between political, social and economic forces in the process of development;
- (v) Developing methodologies for political economy analyses.

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Nicolas Meisel (AFD)
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Lords of Uhuru:

the political economy of elite competition and institutional change in post-independence Kenya†

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Abstract

The post-independence history of Kenya is characterized by an unusual mix of stability with ever-lingering fragility. The high level of elite persistence in Kenya could be seen both as a cause and a result of this peculiar nature of the political economy of the country. This paper has the objective of studying the effects of historical elite competition and consolidation on political-economic stability and institutional transition in post-independence Kenya. The logic of the natural state is applied to organize the narrative and analyze the key features (North, Wallis and Weingast (2009), Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History: Cambridge University Press). Most of the existing institutional structures in Kenya are built on elite configurations inherited from the colonial times. The robust growth performance of the first decade after independence was generated by smallholder agriculture, while most of the rent was transferred to the elite via state patronage. The political instability of the later years had a lot to do with dwindling patronage resources and elite fragmentation. For most part of the political economy history of the country, patron-client networks and tribalism have played key role in regulating intra-elite bargains. Land has always been the leverage used by the elite to manipulate the aforementioned structures. Although the Kenyan elite have maintained keen interest in winning via constitutional means, they have kept reverting to extralegal avenues whenever intra-elite negotiations seemed to have failed to be enforced.

JEL codes: P16, D72, O55

Keywords: elites, dominant coalition, economic growth, institutional change, Kenya

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"Kenya has become a nation of 10 millionaires and 10 million beggars"

- J.M. Kariuki, Member of Parliament, assassinated in 1975

I. Introduction

Kenya has long attracted the interest of students of political economy for at least two major reasons. First, it is characterized by a very high degree of elite persistence; and secondly, it has spent most of its post-independence history in the twilight zone of political-economic maturity haunted by the constant threat of fragility. The persistence of political elites in Kenya could be demonstrated dramatically by studying the personal and professional background of the holders of the top three offices in the current administration. The president of the country, Mwai Kibaki, entered the national scene at independence in 1963 as the permanent secretary for Treasury. He then became the Minister for Finance in 1969, a post he held until 1984. He was also the vice president of the country between 1978 and 1988, before he was moved to the Ministry of Health. He joined the opposition camp in 1992 to eventually win the presidency in 2002. The current prime minister of the country, Raila Odinga, is the son of the former vice president (1964-1966) and influential opposition leader, Oginga Odinga. Finally, the current deputy prime minister, Uhuru Kenyatta, is the son of the first president of the nation, Jomo Kenyatta.

As most of the current African countries emerged out of colonization in the first half of the 1960s, the hope for successful nation building and vibrant economic performance was all in the air. There was no other country, among Anglophone Africa, where the anticipation was stronger than in Kenya. Despite several setbacks and a growing internal tension, Kenya managed to live up to its promise of peace and stability until only recently. The democratic power transfer after the 2002 election had led to a short-lived hope that the county might have joined the league of a few African countries that had managed to escape the trap of autocratic politics. That perception of the country by many internal and external observers was dealt a blow and curtailed by a rude awakening as Kenya slid into violence following the national elections in 2007.

The post-election violence, which has left more than 1000 people dead, called for the reconsideration of the ill-understood link between short-term political dynamics and long term institutional transformation in countries such as Kenya. Considering the fact that Kenya's economy had been growing at annual rate of 6 percent immediately before the violence, the puzzle at hand further extends to include the relationship between political dynamics and (short run) economic growth. Accordingly, the current paper studies the effects of the competition among elites and the consolidation of elite coalitions on political economic stability and institutional transition in post-independence Kenya. Institutional transition is framed generally as the emergence of rule of law in the political and economic spheres. More specifically, I examine the link between political stability and long-running socioeconomic fundamentals such as ethnic cleavages and income inequality against the background of the history of political institutions in Kenya. The overarching framework of the logic of the natural state social orders will be applied to organize the narrative and analyze the implications to the issues under question (North, Wallis and Weingast, 2009; NWW hereafter)

As a specific case for such a study, Kenya holds a number of interesting features that may be relevant for the political economy of many other African countries in prospect or retrospect. Three major aspects are identified to have made Kenya an interesting case to study. <u>Like</u> many Sub-Saharan Africa countries, Kenya has undergone challenging democratic experiments and encountered setbacks; <u>unlike</u> many of them, it maintains a highly competitive and vibrant electoral landscape. These contrasting features of the country are very important because they indicate that short-term political progress cannot be taken at face value when the coalition structure is essentially vulnerable and state-society relationships are troubled.

<u>Like</u> many Sub-Saharan Africa countries, Kenya is highly ethnically fractionalized; <u>unlike</u> many of them, it is less polarized on the index of ethnic polarization.[1] In other words, no particular two ethnic groups have overwhelming weight on the demographic scale. This feature may turn out to be an advantage in fostering democracy as it could as well be a disadvantage. What determines the actual role of ethnic composition on political stability is the strength of the *longue durée* institutions. Therefore Kenya could be a suitable case to examine that particular relationship especially in light of its post-colonial history and recent electoral experience.

<u>Like</u> many Sub-Saharan Africa countries, Kenya has a huge part of its labor force in agriculture; <u>unlik</u>e many of them, it had a burgeoning middleclass at independence. The growing middleclass have apparently failed contribute to structural shift away from agriculture; and the rural-urban imbalance has remained highly visible. As of 2007, 75 percent of the country's labor force was employed by the agriculture sector whereas the sector contributed only 21.4 percent of the GDP.

The above three features which are presented to justify the selection of Kenya as a case are more pertinent to a general understanding of Kenya's political economy in its long-term shape. However, there is also a short-term, practical reason that makes studying the political economic dynamics of Kenya indispensable. Although international reconciliation efforts and subsequent negotiated coalitions appeared to have resolved the post-election stalemate, Kenyan politics still remains at a historical cross-road with a fragile political consensus and an ailing state-society relationship. This study will contribute to a better understanding of the current political landscape and inform international partners on areas where they might have to engage with local stakeholders.

Kenya, as an interesting case, is one of the few African countries that have been thoroughly investigated by political economy researchers. Most of the research on the country's political economy was done in the 1980s, when Kenya was struggling to maintain the strong economic performance of the early decades of independence at the same time as it cruised through political waters troubled by ethnic storms.[2]

Among the issues that have attracted the attention of researchers and triggered broader public debate, land redistribution has remained in the spotlight for a long period as far back as before independence. Corruption joined the ranks of topical issues in the political economy of Kenya since the 1980s and gained prominence in the 1990s. Ethnic tensions and partisan politics have always been lurking behind every public policy issues in Kenya; but it was not until the vulnerable political coalition of the 1980s made ethnicity a linchpin of political allegiance that it became an openly discussed aspect of political economy.

The political rollercoaster that the issue of land redistribution was riding throughout the second half of the 20th century was narrated in Kanyinga (2009). The narration describes the colonial roots of private property rights in land and the hasty attempts to redistribute land to certain group of black Kenyans in the last decade of colonization. It also goes though the early attempts by the post-independence administration to "Re-Africaize the Kenyan highlands" and portrays the subsequent stalemate that the unfinished business of land redistribution left in the political economy landscape of the country. Closely related to the issue of land distribution, the specter of a highly unequal income distribution has haunted the political economy of Kenya for several decades. Githinji (2000) highlighted the importance of income inequality in Kenya in a subtle way that slices through the structure and contributions to national inequality of urban and rural income distributions. He maintains that the potential solutions to the problem of inequality should go beyond quick measures as simple income transfers because the root of the problem is deeply imbedded in the socioeconomic foundations of the country.

Motivated by the high incidence of public corruption in Kenya (culminating the "Goldenberg scandal"[3]), Bigsten and Moene (1996) solved a simple model of endogenous growth that tries to trace the impact on economic growth of bribes and political favoritism in public sector employment. In an analytic-narrative way, they show how the kind of political rent-seeking that has been prevalent in Kenya could hamper growth in the present as well as diminish potentials for growth in the future through its effect on capital accumulation and misallocation of human capital. The empirical evidence on the growth performance of the country confirms that was actually what happened in the 1990s with rampant corruption accompanied by the collapse of per capita income.[4]

Most of the above political economic problems that have persisted over many decades have contributed to the silent destruction of the state-society relationship in Kenya. The fragility of this relationship has been masked by factors such as the relative robustness of the middleclass, the vibrancy of the media and active engagement of the civil society (Sundet et al., 2009). In light of the post-election violence in 2007, Mueller (2008) provides a detailed and systematic analysis of the privatization of violence in Kenya that has come out as the ultimate result of a deliberate weakening of other state institutions in the interest of increasing the power of the presidency. As rival elites sought the protection of ethnic-based gangs in lieu of centralized state protection, violence was effectively privatized. She emphasizes the challenges of applying multi-party electoral procedures under a situation where the harmony in state-society relationship has been undermined by several historical precedents. Using data on the voting patterns from the constitutional referendum in 2005, Kimenyi and Shughart II(2010) illuminate the process of coalition collapse in the run up to the 2007 election. Not surprisingly, their results confirm the importance of ethnic allegiances in voting for or against the proposed constitution.

The rest of the paper is organized in the following manner. Section two provides a succinct introduction to the social order framework of NWW. Section three sheds light on the major events of the political economy history of Kenya spanning the whole period since independence. Section four is devoted to describing the growth performance of the country and tracing some of the impacts of elite relationships on sectoral contributions. Section five takes on the task of interpreting the political economy history of the country using the logic of the natural state social order. In the same brush, section six singles out three of the major components of Kenya's natural state dynamics and analyzes their bearing on political stability. Section seven will introduce a small extension to the NWW framework that explicitly differentiates between groups of elite interests and analyzes the paths of institutional change. In the same section, the specific case of the Kenyatta succession is used to provide an empirical foundation for the theoretical extension. Section eight concludes.

II. The Natural State versus Open Access Order framework

In an approach that defines institutional change as an outcome of the dynamism in the underlying relationship among elites, NWW have developed an encompassing theory of social orders and their evolution through time. Much of the social order theory in NWW is inspired by the various phases of social evolution the developed world has passed through, transitioning from highly personalized and fragile natural states in Medieval Europe to impersonalized open access orders characterized by Schumpeterian competition in post-19th century West. The anchoring idea in this framework is that the so-called natural states (or limited access orders) provide order by using the political system to limit economic entry and create rents. Then they use the rents to stabilize the political system and contain violence. The theory juxtaposes the natural state social order against the developed open access order in which case open access and entry into economic and political organizations sustains economic and political competition. Making up to what is lacking in most other theories of institutional change, the NWW framework provides a well-grounded analysis of the co-evolution of politics and economics in a certain society.

The co-evolution of politics and economics is an essential feature of the NWW framework as much as it is the alignment of different political and economic organizations that determines the level of openness of a certain society. A dominant coalition of elites reigns over society by maintaining a double-balance in the political and economic spheres. The attainment of a double-balance refers to the existence of symmetry between distribution of rents and distribution of political power.

As it would be superficial to lump all natural states under a single category, the NWW framework identifies a reasonable level of diversity across the spectrum of natural states. The most rudimentary types of natural states are the fragile natural states which are extremely personalized and have virtually failed to build any kind of coalition that is capable of containing violence. The second level represents basic natural states which have been common in the world throughout history. These types manage to "sustain a durable and stable organizational structure of the state." However, most of the organizations are public in basic natural states as they are not yet developed enough to support sophisticated private organizations. Finally, the most stable types of natural states are the mature natural states which are "characterized by durable institutional structures for the state and the ability to support elite organizations outside the immediate framework of the state."

The characteristics and basic dynamics of natural states could be summarized in the form of three simple propositions. The first proposition directly follows from the inherent tendency of natural states to use limiting access as a mechanism of stabilization as described above.

Proposition 1: Natural states limit access to organizational forms

The second proposition draws on the first proposition and the logic of the double balance. Limiting access to organizational forms should be complemented by controlling trade if the dominant coalition has to maintain the double balance.

Proposition 2: All natural states control trade.

The limit imposed on access to organization and the rents generated through controlling trade bestow the elites with distinctive privileges. In order to enforce those privileges and stave off potential conflicts among themselves, the elite formulate a particular legal framework.

Proposition 3: The origin of legal system lies in the definition of elite privileges

Although it is not inevitable, natural states could eventually develop and evolve into open access orders. NWW reviewed a long spell of economic history in the western world and showed that the transition to open access was anything but teleological. There is no single path that societies could follow to transform themselves through different stages of natural state and then to an open access order. However, the framework identifies three doorstep conditions for the transition to open access orders that would boil down to impersonalizing intra-elite relationships and opening access to organizations for non-elites at a later stage. Those conditions are;

1. Rule of law for elites: natural states need to come up with sustainable mechanisms to adjudicate potential disputes among elites. The law should be credibly enforced given the actual distribution of power within the dominant coalition.

2. Perpetually lived forms of public and private elite organizations, including the state itself; organizations should be able to survive beyond the lifespan of their individual members. The existence of organizations should not be tied to the will of powerful individuals. Eventually, organizations should develop their own legal personality with the concomitant set of rights and duties.

3. Consolidated political control of the military: finally, natural states should solve the subtle problem of consolidating control of the military supported by credible conventions on how force is used against individuals and coalition members.

The above conditions are conceived of in a sequential manner so that the first condition contributes to the second one, and these two together contribute to fulfillment of the last one. Therefore, the key condition for triggering the transition process to an open access order is the first one, i.e. rule of law for elites, which essentially depends on how far the elites could transform their privileges into rights in a way that is incentive-compatible for every member of the dominant coalition.

The emphasis on the rule of law for elites implies that there is some level of heterogeneity among elites. The fulfillment of that particular condition depends on how different interests play out within the elite circle. However, the NWW framework fails to make a clear distinction between different types of elites. In order to handle this issue, I will take the original framework one step further and distinguish between political and economic elites in section seven of this paper.

III. Brief political economy history of post-independence Kenya

The political economy of contemporary Kenya draws much of its nature and character from the colonial period. This is largely because ensuring the continuity of the de facto systems of political and economic organization was in the interest of the new African elites. The peculiar nature of Kenya as a colonial 'periphery center'[5] networked with the outposts of Tanganyika and Uganda contributed to the creation of such an elite class. The relatively advanced industrialization and extensive commercialization of the economy, especially after the Second World War, was also a result of the position Kenya held in the regional colonial production system. The moderate level of settlement of Europeans, limited to the so-called 'White highlands', was key to the development of local elites.[6] Unlike in Zimbabwe, which was settled by Europeans that had numbered more than 60,000 at independence or in Uganda, which didn't have any noticeable white settlement throughout the colonial period, Kenya's settlers created some room for the growth of an African elite group.

The birth of the independent Kenyan nation was enhanced by the Mau-Mau resistance movement which had made it clear to the colonial administration that the complete political subjugation of the native population was no longer sustainable. However, in the midst of the counterinsurgency campaign against the Mau-Mau, the colonial administration managed to co-opt sufficient number of loyalist elites. The elitist nature of political co-option was epitomized by the setting of minimum requirements of wealth and education for candidacy in the first election of African representatives to the legislative council in 1957/58. Additionally, candidates from the Central province, which was the epicenter of the resistance movement, were required to appear in an official list of people who had never taken a Mau-Mau oath.[7] By institutionalizing the advancement of the loyalist elite and manipulating the early land reform program to the benefit of that particular group, the colonial administration intended to intensify the process of class formation and therefore dismantle the broader social foundations of the Mau-Mau.[8]

Keeping the preceding description of the pre-independence transition dynamics as a background, the following paragraphs provide a succinct narrative of how the political economy patterns of the country evolved through the three presidencies Kenya has seen since independence. A snapshot overview of the political economy history of the country is provided in the timeline in Appendix 1.

The Kenyatta era (1963 – 1978)

In 1963, at independence, Kenya emerged with a two party system with a bicameral parliament and a federal structure of government. But the institutional structure was quickly realigned with the actual power balance when the regional setup was abandoned in favor of the more cosmopolitan central province tribes (namely, Kikuyu, Embu and Meru). Regionalism had been advocated by the smaller and less developed tribes with implicit support from the colonial administration who had considered it a viable strategy to preempt the potential of unified attacks on settler interests. So, this was the first and arguably the most significant move in which the new elites had chosen to deviate from the model setup by their colonial mentors, and asserted their own interest. Subsequently, the junior partner in the independence government, i.e. Kenya African Democratic Union (KADU), which consisted of elites from smaller tribes (mostly Kalenjin and Maasai), was dissolved to be merged with Kenya African National Union (KANU). That effectively turned Kenya into a de facto one party state. There was a brief spell between 1966 and 1969 when a leftist offshoot of KANU formed a new party under the name Kenya Peoples Union (KPU) only to be banned by the government. In terms of ethnic politics, the KPU saga marked the beginning of the estrangement of the Luo ethnic group which had maintained a fragile love-hate relationship with the dominant Kikuyu ever since independence.

The most remarkable ideological statement of the independent Kenyan elite came in the form of "the Sessional Paper on African Socialism" in 1965 which, unlike what its name might suggest, had enshrined the principles of capitalism and the developmental role of the state. This official position did not come as a surprise as it was consistent with the interest of the new African elite as well as the remaining foreign interests. By the time the Sessional Paper was produced, a substantial number of African elites had accumulated so much wealth as to make them harbor vested interest in the stability of the capitalist system. But at the same time, the Kenyatta administration engaged in extensive efforts to Africanize a sizeable portion of the economy in a manner that had sometimes contradicted the very principles promulgated in its official policy framework.[9] Particularly, the Africanization drive undermined the private property rights of Asian Kenyans.

Land has always been at the center of the sociopolitical dynamics in Kenya. Accordingly, access to land was used as the most common agenda to mobilize popular participation in different organizational forms as early as in the 1920s.[10] Not surprisingly, land was the rallying ground for the bloody resistance mounted by the Mau-Mau. It was also the reward given by the colonial administration to loyalists who fought against the Mau-Mau. Therefore, apart from the traditional role it plays in the African system of social organization, land was bestowed with a rather emotional role in signifying the accrual of the real fruits of independence to individuals and communities. The decade before independence and the first few years into the Kenyatta era have seen large scale transfer of land from settlers to African hands. The willing seller-willing buyer scheme was launched to facilitate the transfer of large scale farms intact to African elites who were able to mobilize the necessary resources. This was later followed by the "Re-africanization of the white highlands" program which was marked by individual resettlements and group purchase of former white owned lands. However, landlessness was already surfacing as a major problem in areas where population pressure was growing. The problem developed an ethnic dimension because the early land redistribution schemes took place across geographic boundaries defining different ethnic groups.

The political strategy followed by Kenyatta to maintain a cohesive state featured a mixture of appeasement and targeted repression coated in a law of preventive detention. Land was still being redistributed and public sector positions which had been vacated by the outgoing foreigners were up for grabs. Hence, it was not very difficult for Kenyatta to buy support and appease disgruntled elements, particularly in his own Kikuyu community. The Kenyatta era was also characterized by at least three high profile assassinations which have still remained mysterious as to who was behind them.[11] But, in general, Kenyatta benefited from the political capital he had been endowed with by virtue of his position as the founding father of the nation. He had also tactfully constructed a screen of reverence around himself that had essentially rendered him, in the eyes of the public, to be above any political factionalism and petty wrangling.

The Moi era (1978 – 2002)

With the aging and poor health conditions of Jomo Kenyatta toward the second half of the 1970s, the potential succession issue created a silent storm among the political elites of the country. Daniel arap Moi, who had been the Vice President of the country and a loyal ally of the first president, finally managed to muster sufficient support from the inner circle to weather the storm and succeed to the presidency regardless of his less-affluent and marginal Kalenjin ethnic base. Moi was quick to proclaim that he would be following in the footsteps of Kenyatta by adopting "Nyayo" ("footsteps" in Swahili) as his administration's official motto. This strategy bought him some time to remain under the shadow of the Kenyatta persona and to control the power balance. However, it proved to have reinforced the insecurity of the new president when Moi failed to map out an effective strategy to eventually break away from the legacy of the late president.

The insecurity of Moi reached climax when an abortive coup d'état was orchestrated by air force officers in August 1982, which in turn was largely motivated by the amendment of Kenya's constitution to make the country a de jure one party state. Subsequent years marked the phasing out of the tenures of several Kikuyu politicians and civil servants as well as the shift of the center of power from technocratic provincial administrations to regional KANU branches. Regionalism with district focus was brought back to the fore in an attempt to dilute the influence of powerful provincial commissioners and the more cosmopolitan Kenyatta elites.[12] In congruence with the general strategy of building his own loyal coalition, Moi also worked towards changing the ethnic mix of the political elite in favor of the smaller Rift Valley tribes, including his own Kalenjin, that had constituted the then defunct KADU in the early 1960s.

The change of guard in the 1980s was accompanied by substantial strains on the patronage structure that had been buttressed by land giveaways and parastatal resources. That is because the Kenya of Moi was never the same as the Kenya of Kenyatta when it came to the availability patronage resources. The economy had already been under significant stress after the squandering of the gains of the coffee boom in 1977. Global economic activity was sluggish and international terms of trade were turning against exporters of primary commodities. More importantly, there was not much land available to 'legitimately' reward supporters with. Additionally, another area of traditional patronage, public sector employment, had already been overstretched. "Unlike Kenyatta, who could give without taking away, Moi had to take away before he could give."[13] This reality forced the Moi regime to resort to redistributive policy actions as well as large scale political corruption to make up for the lack of economic clout of his core collaborators.

The existing land problems that had been inherited from the Kenyatta period were not resolved. On the contrary, they were further complicated by the frantic effort to mobilize new resources for patronage. Ironically enough, the first ever executive decision Moi had taken after acceding office in 1978 was suspending the allocation of plots of land.[14] However, apart from making a symbolic gesture on an issue that always captures the political heartbeat of the nation, Moi could have never been serious about substantive land reform since he himself is a large scale land owner. He was locked into that position by Kenyatta in the early 1960s in a campaign to buy out the support of the Rift Valley elites of whom Moi had been the most prominent one.[15]

Throughout the increasingly repressive rule of the Moi administration, the Kenyatta era elites had been bruised, but not completely defeated. Hence, they took advantage of the end of the cold war and mounting donor pressures for democratization to force the reinstallation of a multi-party system in 1991. However, what followed was a decade long political fragmentation and rising level of violence around land issues. The first multiparty elections of 1992 were marred by tribal clashes that were instigated by elites threatened by the potential results of popular vote along ethnic lines.[16] Ironically, the violence happened in the elite stronghold of Rift Valley where central province communities were settled by the previous government. The violence escalated in the second elections in 1997 as the regime's insecurity grew through time. Obviously, like in all the other instances in the history of the nation, land grievances were exploited by the elites to trigger violence in the Rift Valley on settlers from central and western provinces.

Finally, a peaceful transition of power based on the results of a democratic election happened in 2002. Moi was bound by the constitution to two terms in office. But he had to be promised immunity and extensive retirement benefits to eventually agree to cede power. Even then, army generals were ready to stage a coup when they realized that Moi's handpicked heir, Uhuru Kenyatta, did not win the votes. But they were waved away by Moi himself who calculated that his interests would be better protected by letting the inherently fragmented coalition take over.[17]

The Kibaki era (2003-)

Moai Kibaki campaigned on the platform of fighting corruption. He also promised extensive reforms in the area of economic governance. Making things easier for him, Moi picked another Kikuyu, Uhuru Kenyatta, to represent KANU in the elections. With the tribal element subdued in the face of a clash between two politicians from the same ethnic group, the election turned into a vote against the past as much as a vote for a better future. Consequently, Kibaki did not need to offer a closely scrutinized reform strategy other than appealing to exorcizing the demons of corruption to win the final votes. It was all too clear to the outgoing elite that the incoming elites were too fragmented and with their own share of skeletons in their closets to make good to their promise of rectifying the ills of corruption. Hence, they did not need to put up a fight to hang on to office in fear of potential prosecution. The viability of the opposition movement was bolstered by the last minute coalition formed by the elites of the two largest ethnic groups: the Kikuyus and the Luos.

If there was one major lesson that Kenyan politicians had drawn from the tumultuous experience of multi-party elections in the 1990s, it was the futility of most of the electoral exercise as long as the constitution continued to bestow so much power in the hands of the president. That is why opposition politicians and civil society activists shifted the core of their agenda toward the second half of 1990s to getting the constitution changed. The winning party, National Rainbow Coalition (NARC), had undertaken to table a draft constitution within one hundred days after forming a new government and to create a Prime Minister position to share the decision making powers of the presidency. The democratically elected government started showing its cracks when it began reneging on such promises.

Due to the constitutional reform process the shaky coalition started to unravel. The promises offered by the first democratic transition in the history of the nation started to quickly vanish. A watered-down version of a new constitution was put up for referendum in 2005. Ethnic allegiances dominated over substantive policy differences as the people rallied behind a party of their tribal elites and their respective opinions with regard to the new constitution.[18] In the referendum, the draft constitution was rejected implying 'no-confidence' in the government. With the complete collapse of the coalition, the Kibaki government intensified its effort to undermine the already weakened judicial and political institutions in preparation for the 2007 election showdown.

The 2007 election was too close to call; and it quickly turned violent. The skirmish was more extensive than the strategic violence waged around the earlier two elections in the 1990s. Mueller (2008) identifies three major factors that have led to the implosion of the political problems of the country: diffused violence, deliberately weakened independent institutions, and ethnically driven clientalist political parties. The political impunity and the resulting paranoia caused by the accumulation of historical problems seemed to have caught up with the country in a way that threatened the viability of the nation state itself. The fact that this overwhelming violence happened only one term after a peaceful and democratic transfer of power had taken place indicates to the inconvenient truth that democratic gains might be reversed quickly in the absence of more durable remedies to the problematic components of the overall social contract.

Table 1: Summary of political economy development and elite alignment

Period	Identity of dominant coalition elites	Sources of rent and patronage	Major dynamics in the political sphere	Major dynamics in the economic sphere
1963 – 1970	Educated African technocrats linked to the colonial system ***Ethnic base:*** multi-ethnic alliance relatively dominated by Kikuyu	Land left by colonial settlers, public sector jobs left by expatriates, foreign aid (esp. British)	Ideological competition, political consolidation	Freeing up of productive potential, beginning of indigenous accumulation
1971 – 1975	Consolidated independence era politicians, the nouveau riche ***Ethnic base**:* increasingly Kikuyu dominated	Allocation of capital by state banks, trade licenses and distribution privileges	Centralized presidency, institutionalized autocracy	Emergence of strong business elites, continued dependence on state patronage
1976 – 1981	Allies of former vice president Moi, second generation and more affluent MPs ***Ethnic base:*** Kalenjin and non-Kiambu Kikuyu alliance*	Parastatal revenue, allocation of public and trust land (mostly illegal)	Presidential transition, continuation of the status-quo	Economic strains, end of the era of 'soft options'
1982 – 1991	District level KANU officials, some Asian Kenyans ***Ethnic base:*** Kalenjin dominated coalition	Structural adjustment loans and foreign aid, marketing boards and parastatals	Abortive coup, autocratic consolidation, shift to a party sate and regionalism	Realignment of business elites with Asian Kenyans joining the patronage network, structural adjustment program
1992 – 2001	The same elites as in the previous decade ***Ethnic base:*** Increasingly Kalenjin dominated as remaining Kikuyus and Luos join the opposition	Large scale political corruption**, redistribution away from surplus regions	Multi-partyism, political fragmentation, elevated ethnic tensions	Economic stagnation, large-scale political corruption
2002 – 2007	Combination of veteran Kenyatta day politicians and young opposition members ***Ethnic base:*** mostly Kikuyu-Luo alliance	Foreign aid, large scale political corruption***	Democratic transition, coalition collapse, privatization of violence	The reemergence of old economic elites

*Kimabu is the home district of the first president, Jomo Kenyatta

** The Goldenberg scandal for instance

*** Anglo-leasing scandal for instance

True to their resilient nature, Kenyans managed to engage in a new constitutional reform process after a power sharing arrangement had been brokered by international arbitrators. A new constitution has been voted for and adopted in 2010. The new constitution reduces the power of the presidency and provides for regional devolution. It also creates room for rectification of historical land injustices by sanctifying communal land rights and by recognizing economic and social rights of citizens. From the outside, it may look like that the new constitution provides all the answers to many of the nation's historical conundrums. But, Kenya has sufficient lessons from history to watch out first for the actual power balance struck among the elites and the de facto implications of any de jure changes.

Before concluding this section, it might be useful to summarize the key players in the political economy history of the country along with the major threads of political economic development. Table 1 presents such summary. As one can see in the table, the composition the elites constituting the dominant coalition kept changing with every presidential transition. With power concentrated in the hands of the executive, the presidency has always been the linchpin of the dominant coalition. Therefore, the tribal mix of the dominant coalition is always aligned with the ethnicity of the president. Interestingly, in both major transitions in the history of the country, first in the transition to an independent state in 1963 and then in the 2002 democratic power transfer, the alliance between the Kikuyu and the Luo has been instrumental. However, in both instances, the coalitions fractured eventually. The sources of rent also shifted more and more into distortionary activities as the composition of elites changed over time. The summary provided in table 1 will be further exploited in section 5 to analyze the political economy of Kenya using the logic of the natural state.

IV. Economic growth performance

4.1 Trends and sources of growth

Like most of the newly independent African countries, Kenya was off to a good start economically in the 1960s. The uncertainties that had prevailed around independence in 1963 were defused with reassurance from capitalistic African elite. In the seven years between independence and the end of the decade, real GDP per capita grew by average of 1.88 percent. This real gain was attained regardless of 3.3 percent population growth. That was followed by average growth of 1.5 percent in the first half of the next decade. This steady average performance in real terms was registered in spite of a global slowdown towards the end of the 1960s and the oil shock of 1973. The encouraging performance of the country in the first decade after independence had a lot to owe to the partial land reform which had redistributed colonial settler land to more efficient smallholders, and the extension of the area cultivated in high value cash crops.[19] As table 2 shows, the share of investment in GDP also peaked at close to 22 percent in the first half of the 1970s.

Table 2: Basic economic performance indicators

Period	**Average annual growth rate**	**Share of government consumption of per capita GDP**	**Share of investment of per capita GDP**
1963-69	1.88	2.69	11.38
1970-74	1.51	4.29	21.93
1975-79	2.72	5.60	17.05
1980-84	-2.36	5.35	15.56
1985-89	3.56	4.94	13.60
1990-94	-2.05	5.49	10.69
1995-99	0.24	7.34	12.81
2000-05	0.63	6.59	13.78

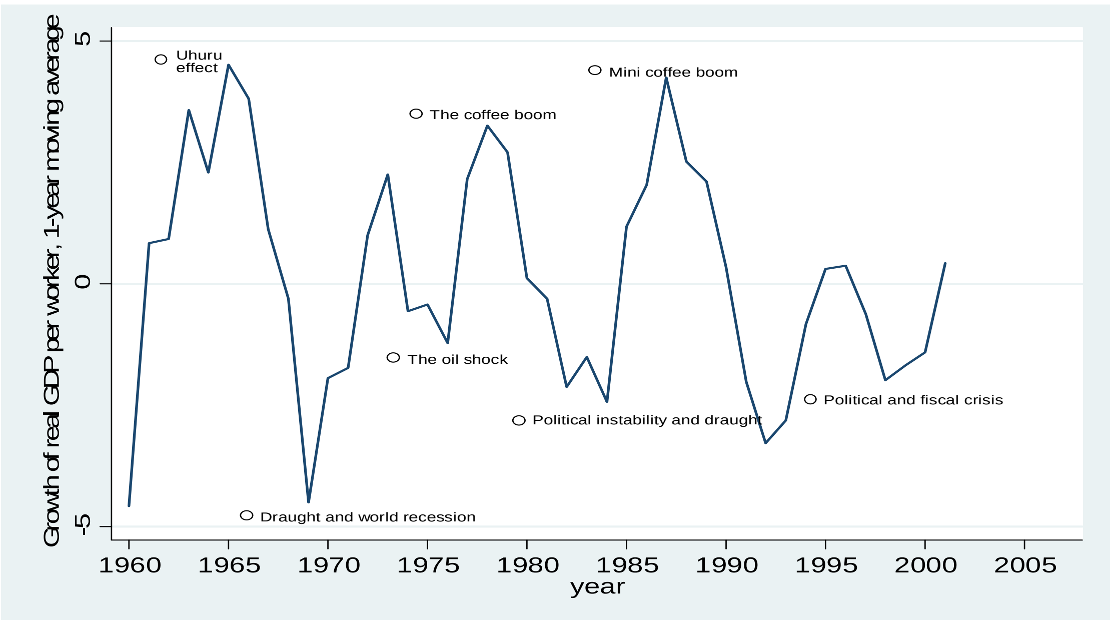
Source: Heston et al. (2011), Average annual growth rate is calculated using least squares method

The highlight of the second half of the 1970s was the coffee boom that was created due to a massive frost in Brazil. On average, real per capita GDP grew by more than 2.7 percent. However, this statistical figure, dominated by the effect of the windfall coffee gains, masks so many cracks that were becoming visible all across the economy. Inflation was creeping up; the budget deficit was growing; and the balance of payment problem that had arisen at the time of the oil crisis was intensifying. "The Achilles heel of the economy has been the country's fiscal policy. Inadequate control of expenditures (and inability to target them to achieve policy objectives) has been an important part of the budgetary problem in Kenya, for total government spending has risen relative to economic activity, with serious budget financing difficulties emerging from the late-1970s."[20] Between 1975 and 1979, the share of government consumption in GDP grew by about one third compared to the previous half-decade (see table 2). Adding to the long-run nature of the problem, new land that had fueled the growth of smallholder output was already running out. The potential for politically safe redistribution also had been exhausted.

The second oil shock of 1979 and the ensuing recession gave Kenya's economy the last push on its downward journey. The economic problems caused by accumulating macroeconomic woes and international misfortunes were exacerbated by political instability and extensive drought. As Kenya was running out of 'soft options', it resorted to IMF's support which came with a list of conditionalities.[21] Accordingly, as it solicited to be rescued from recession by the IMF, the country was forced to engage in rather contractionary policies by way of paying for its past mistakes. The astounding growth performance of the second half of the 1980s was driven by recovery from the global recession and another, albeit smaller, coffee boom. Despite the good performance in average growth, the share of investment continued to fall throughout the decade.

The recovery was quickly lost and the 1990s saw substantial growth decline and stagnation. Kenya subscribed to multi-pronged Structural Adjustment policies. But the share of government consumption kept rising throughout the decade as the share of investment hit historic low in the first half of the 1990s. This trend of stagnation has not been firmly reversed well into the 2000s. Even as many African economies who had not had such strong promise as Kenya in the years after independence managed to turn a corner toward the end of the last century, Kenya stayed in the category of stagnant economies in the last decade of the 20th century.[22]

Fig. 1: Growth oscillations in the post-independence era



Source: Heston et al. (2011)

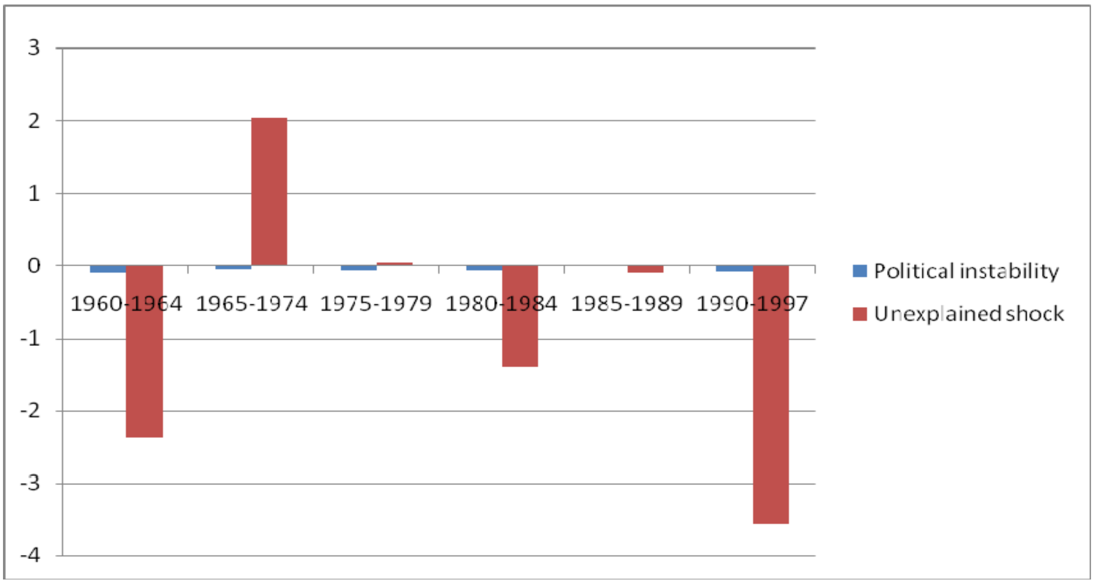
Kenya's growth performance has been characterized by enormous degree of volatility. The seesaw pattern in growth performance kicked in only a few years after independence when the huge gains from the vanishing of colonial in efficiencies are replaced by a downswing caused by global recession (see fig. 1). The rapidly alternating peaks and troughs of the growth process indicate that Kenya's economy has been highly susceptible to rainfall and the 'small open economy effect' of international shocks. A somehow positive assessment of this phenomenon could emphasize the resilience of the Kenyan economy to spring back after exogenous shocks especially in the 1960s and 1970s. Although growth volatility could be argued to be a feature of most developing countries[23], Kenya's experience is truly peculiar when compared to the performance of its neighbors. Uganda suffered a precipitous economic collapse in the 1970s, from which it has not recovered until the mid 1990s. Tanzania was caught in a longwinded stagnation until growth picked up towards the end of the 1990s. Kenya's economy has been much more erratic, but characterized by long-run expansion. A comparative depiction of the growth trends of Kenya, Uganda and Tanzania is provided in Appendix 2.[24]

Table 3: Relative importance of exogenous factors

Dependent variable: ln of real GDP per worker Estimation method: AR (1)				
Spring rainfall (t-1)	.0004*** (.0001)			.0005*** (.0001)
International coffee price (coffee arabica)		.0023 (.0100)		.0029 (.0092)
International energy price index			.0003 (.0004)	.0003 (.0003)
Log likelihood	77.14	76.74	77.18	78.14
Number of years	39	41	41	39

If exogenous shocks appeared to have such prominent role in swaying Kenya's economy up and down, it is worth looking deeper into the relative importance of those factors in terms of their effect on GDP. Table 3 presents the results of a set of time-series regressions trying to explain the natural logarithm of real GDP per capita by exogenous factors, proxying weather conditions, export earning and import expenditure. In line with the predominantly agricultural nature of the country, rainfall is found to be the only significant factor that is strong enough to influence per capita output on relatively permanent basis. This means, although the oil crises and the coffee booms accounted for drastic shifts in short term growth performance, the average effects of energy and coffee prices are not as strong on real per capita GDP. This result further magnifies the primacy of agriculture in the country's economy.

Fig. 2: Ndulu-O'Connell growth decomposition: the contribution of political instability and unexplained shocks



Source: Based on Mwega and Ndung'u (2004)

More nuanced growth decomposition based on a model formulated in Ndulu and O'Connell (2000) and applied to Kenya in Mwega and Ndung'u (2004) displays an intriguingly large amount of unexplained growth. Apart from the traditional factors labeled as a group of base variables and policy variables, political instability is included in the model as measured by incidences of revolutions, strikes and assassinations. However, as shown in fig 2, the share of political instability in explaining growth is a tiny fraction compared to the share of the unexplained factors. Ironically, the pattern of the effect of the unexplained factors matches very well the change in overall political atmosphere in the country. For instance, the negative unexplained growth between 1960 and 1964 could have a lot to do with the uncertainty surrounding independence which is not captured by the components used to define 'political instability' in the present measure. Similarly, the stability created after independence and throughout Kenyatta's reign matches the positive unexplained growth in the 1965-74 period, whereas the present political stability measure indicates otherwise. In general, if 'political stability' was broadened to include more subtle components like coalition structure and patronage resources, much of the unexplained growth would be explained in political economy terms.

4.2 Sectoral contributions to national output

The colonial system of production and economic organization had favored large scale farming as the backbone of settler livelihood. At the heart of the colonial agricultural policy was the prohibition of African smallholders located in the native reserves from engaging in the production of high value cash crops. After the end of the Second World War though, the colonial administration promoted industrialization and commercialization, sometimes at the expense of Tanganyika and Uganda which were integrated into the system as 'local peripheries'.[25] The protection offered to local industrialists attracted substantial capital to flow to Kenya in the decade and half before independence. So, it might be interesting to see how those elite sectors of the economy fared after independence. But before examining the performance of sectors that have been dominated by elite interest, it is important to have an overview of the growth of the traditionally most important sector, agriculture, as compared to other sectors. Table 4 shows that agricultural value-added kept growing substantially into the 1960s and till the end of 1970s. Although the other sectors expanded at faster rates than agriculture, given the prominence of the later as the single most important sector in the first few decades, it is fair to argue that a large chunk of overall expansion of the Kenyan economy was attributable to agricultural growth.

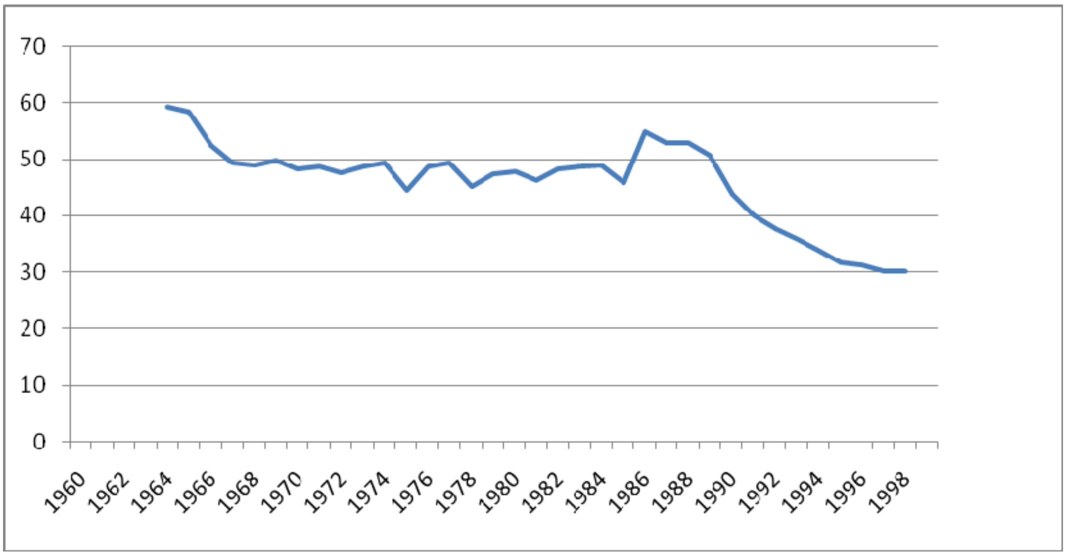
Table 4: Average growth of sectoral value-added and the contribution agriculture to GDP

Period	Average growth of agricultural value-added	Average growth of manufacturing value-added	Average growth of service value-added	Share of agriculture value-added in GDP
1965-69	5.67	7.59	8.31	37.21
1970-74	3.99	15.41	7.44	32.63
1975-79	5.14	7.07	6.29	30.74
1980-84	2.54	3.97	4.42	29.08
1985-89	4.35	5.58	5.60	27.66
1990-94	-0.15	2.78	3.32	25.59
1995-99	4.31	0.61	3.30	25.07
2000-04	2.21	2.29	2.41	26.56

Source: World Development Indicators

The share of large scale farms in marketed agricultural produce began its decline immediately after independence. This early decline can be attributed to the intensified land redistribution in favor of smallholders. The numbers stayed a little below 50 percent for most of the 1970s and the first half of the 1980s. There was a sudden hike in the share of large scale farms towards the latter half of the 1980s following the great drought and the subsequent grain marketing fiasco. The distortions created by the politically pampered National Cereals and Produce Board (NCPB) are blamed for much of the marketing and food crisis.[26] As fig 3 shows, the following decade was characterized by a precipitous fall in the share of large scale farms.

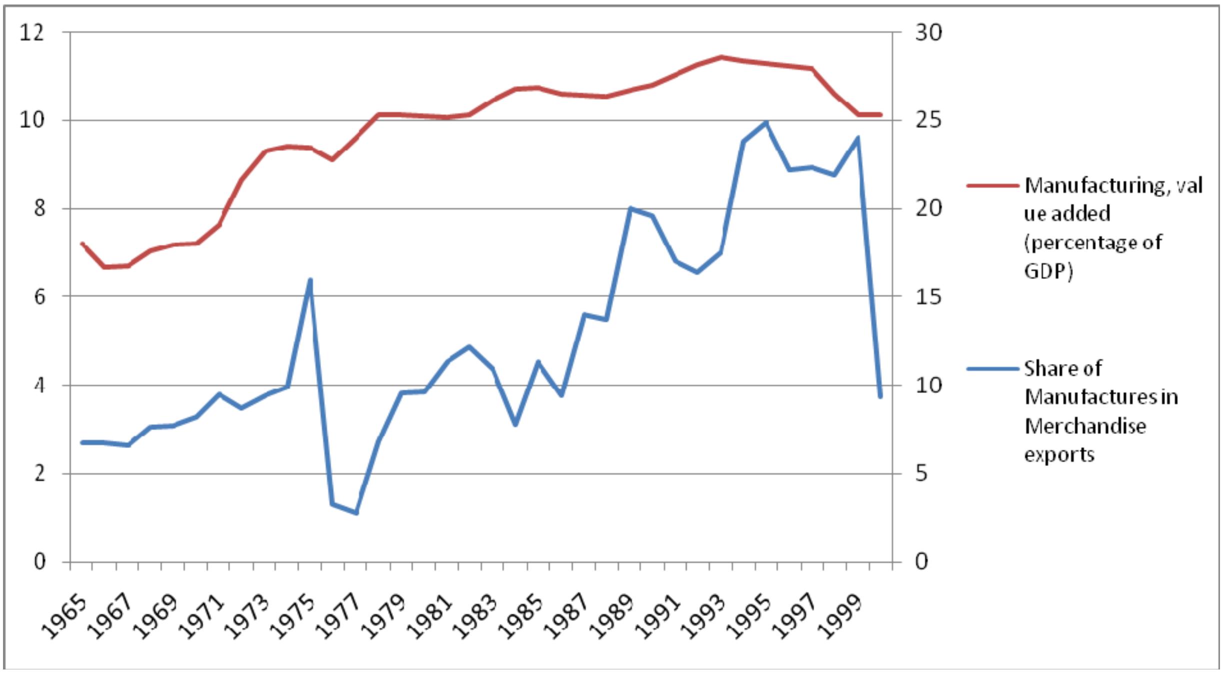
Fig. 3: Share of large scale farms in marketed produce



Source: Economic Survey, various issues

The manufacturing sector performed well in terms of its contribution of value-added to total GDP in the initial decade after independence. The contribution of the sector continued to grow through the 1980s and most of the 1990s although the rate was substantially reduced after general economic strains took effect towards the mid 1970s. However, an interesting contrast could be drawn with respect to the export performance of the manufacturing sector. As seen in fig 4, a remarkable level of growth in manufacturing value-added happened in early 1970s whereas the spike in the share of manufactured exports did not come until 1975. Even that was most likely due to the decline in the share of agricultural exports triggered by an earlier drought and international recession.[27] This hints an overreliance of the sector on highly protected domestic market during the first decade after independence. With the collapse of the East African Community in 1977, the share of manufactured exports hit historic low. The trend was that of general recovery for the subsequent two decades. Surprisingly, this happened against the backdrop of overall economic stagnation. Other export indicators that largely mirror the trends in manufactured exports are depicted in Appendix 3. In terms of ownership, the manufacturing sector remained dominated by foreign capital and state owned enterprises.

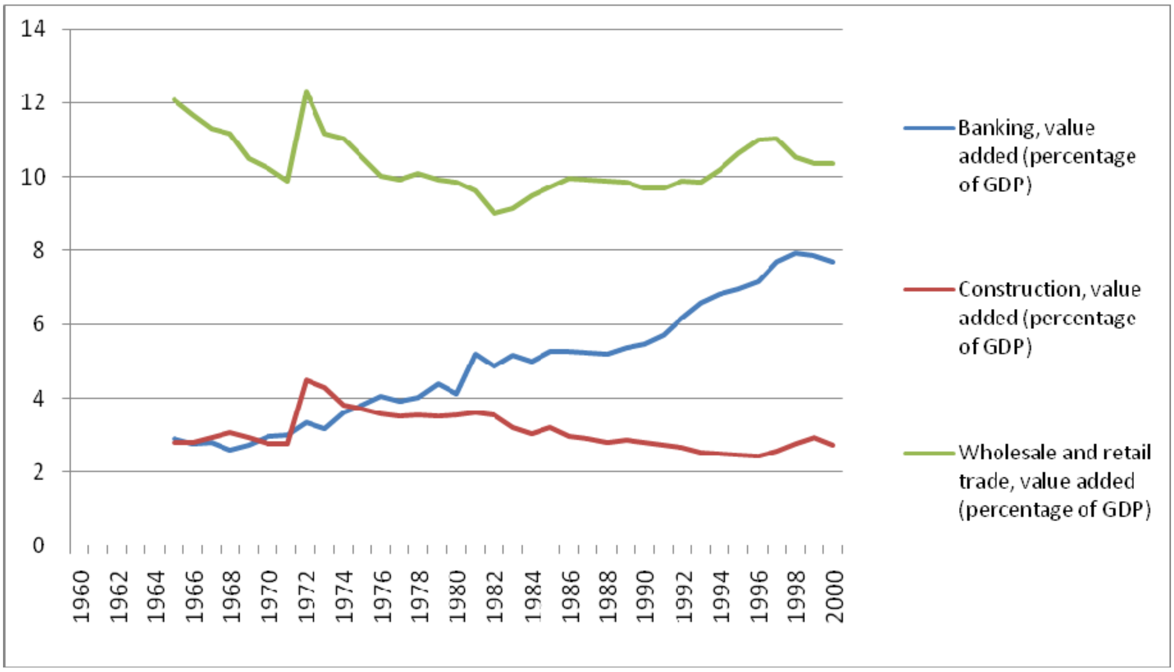
Fig. 4: Value-added and export contributions of the manufacturing sector



Source: World Development Indicators (2009)

Although the new African elites could control manufacturing indirectly thorough parastatals, they could not fully embark in this sector for lack of capital and technical capacity. Therefore sectors like wholesale and retail trade and construction emerged as the mainstay of the new elites. Both trade and construction displayed the same trend in terms of their contribution of value-added to GDP: a sudden jump around the beginning of the 1970s and a quick decline accompanied by longwinded stagnation. The early 1970s represented a period when the Africanization drive had been reinvigorated to transfer trading interests and real estate property into African hands. No matter how much the details remained disputed, the faltering of the Africanization drive toward the second half of the 1970s is well documented in the literature.[28] The boost in the share of the value-added from trading and construction seemed to have been caused by the efficiency gain out of the early efforts to broaden access to those sectors, whereas the subsequent decline was created by the overreach of the same effort.

Fig. 5: Value-added contributions of elite-focused sectors



Source: World Development Indicators (2009)

The steadiest growth in the share of value-added has originated from the banking sector. Banking innovation continued throughout the post-independence era as the financial institutions tried to keep up with the changing needs of the capitalist class. Kenya has always been an open country to foreign capital in the banking sector. Even in a year like 1981, when the country was struggling with an impending stagnation, as many as six foreign banks were starting operations in Kenya.[29] It should also be recalled that the government have been a majority shareholder in some of the largest banks in Kenya.

V. Natural state dynamics in post-independence Kenya

5.1 The birth of a basic natural state

At independence, it was not very difficult for the new political elite to forge a state that would emerge as a strong and viable organization capable of forging a dominant coalition. The colonial state had already mastered wielding the tools of economic coercion such as labor repression that it applied to facilitate settler accumulation.[30] It took the Mau-Mau rebellion for the colonial state to try its hands on large scale political and military coercion. The military was composed of the "the King's African Rifles, a small but compact military force nurtured on the British tradition of subordinating the military to the government".[31] But the British tradition and the relatively small size of the army did not provide sufficient guarantee for the new elite to ensure its subordination. Kenyatta soon acted on raising the Kikuyu representation in the army to 23 percent as opposed to earlier near-exclusivity to Akamaba and Kalenjin tribes.[32] He also created the General Service Unit (GSU), a paramilitary force, which has become ever since an elite unit loyal to the presidency. Therefore, the post-independent Kenyan government inherited the foundations of a basic natural state from the colonial system. Cheeseman (2006) summarizes the pre-independence influence on the construction of a limited access order in the following precise terms:

> "In part, the impetus to regulate political space so tightly came from Kenya's white settlers, who made the first breakthrough in creating new arenas of political space, and subsequently set about defending their right to access these arenas exclusively" (pp. 12)

In the early 1960s, Kenyatta's way of coalition formation could be described as a tri-pronged strategy of cooption, appeasement and continuity. The cooption strategy was applied to make the KADU elite cross the isle and join KANU. Kenyatta is normally depicted as a charismatic leader who was able to garner reverence from all corners of Kenya's society. But he himself had realized that he did not really live up to that image when he found it difficult to unify his own Kikuyu tribe during his chairmanship of the Kenya African Union from 1947 to 1952.[33] Therefore, he did not waste time before he launched an aggressive strategy of cooption buttressed by promises for cabinet positions in his new government. In this process, influential politicians representing smaller tribes that were not necessarily benefiting from the cross-regional land redistribution were co-opted.

The appeasement strategy was directed towards ex-Mau-Mau rebels who had been excluded from the transition process and more specifically from the pre-independence Lancaster House negotiations with the British government. When the emergency was lifted and they rejoined the society, the rebels also found out that most of their ancestral land in central province had already changed hands form white settlers to 'collaborator' elites from their own Kikuyu tribe.[34] That is why it became incumbent upon Kenyatta to appease these disenchanted contingents within his most important power base, the Kikuyu tribe. Much of this strategy is executed by resettling the ex-rebels in the Rift valley province.

The third strategy of maintaining the status quo is also part of a conscious decision taken by the Kenyatta government to stabilize the new coalition. Probably the most powerful symbol of continuity is the appointment of Bruce Mackenzie, a settler farmer, to serve as the Minister of Agriculture for the first eight years of the independence era.[35] The commitment to continuity is also demonstrated in the engagement of the British in training and advising the military establishment. The last British advisor to the army left only in 1975.[36] At the economic front, the Kenyatta government asserted its intention to ensure continuity by ruling out any departures from a capitalist mode of economic organization.

Once the dominant coalition was stabilized on a multi-ethnic foundation cemented by relatively abundant patronage resources, the government was sufficiently emboldened to begin weeding out 'subversive' elements threatening the stability of the coalition using coercive measures. The first most significant act of political coercion was marked by the banning of KPU in 1969 and detention of its leadership well ahead of the 1970 election.[37] Some of the violent acts of coercion, however, were not without consequence to the long-term dynamic stability of the dominant coalition. For instance, the assassination of Tom Mboya, who hailed from the Luo tribe and became the second most powerful personality in the KANU power structure, revealed the continued fragility of the young coalition.[38] Those events coincided with the passing of the 'Local Government Transfer of Functions' Bill which formalized the excessive centralization of power and the virtual beginning of the "imperial presidency" embodied in the persona of Jomo Kenyatta.

The economic foundations of the basic natural state of early independent Kenya can be summarized in a way that provides empirical support to the three major propositions in the Natural state theory of NWW. The first proposition is: *All natural states limit access to organizational forms*. Since the most important asset in economic life in Kenya is land, some of the most important economic organizations were the land buying companies. The companies pooled resources and secured loans for the group purchase of land in high density settlement areas. In most of the cases, the land buying companies, such as the powerful Ngwataniro Corporation, are headed by ethnic patrons who could gain access to land and finances by virtue of their political position within the dominant coalition and who could also limit access to clients.[39] Ethnic patrons were also influential in limiting access to tribe-based investment companies such as the Gikuyu[§], Embu, Meru Association (GEMA) and the Luo Thrift Union. Capital markets were systematically restricted, first, by the informal networks of institutional investors that had emerged from the colonial system, and then by governmental institutions such as the Capital Issue Committee.[40]

The second proposition states that *all natural states control trade*. The tendency of the post-independence Kenyan government to control trade is marked by the enactment of the Africanisation drive. The drive was embodied in the Trade Licensing Act (1967) and the Import, Export and Essential Supplies Act (1967) that promulgated the government's commitment to reserve certain areas of trade for Kenyan citizens.[41] The actual intention of the de facto policy action in the Africanisation campaign became apparent as some Asian-Kenyans were forced to quit their businesses in contradiction with the de jure provisions that had made the delineation on the basis of citizenship, not race.[42] Generally, the interventionist nature of the government has been signified by the large number of statutory bodies it runs and cooperatives it indirectly controls.

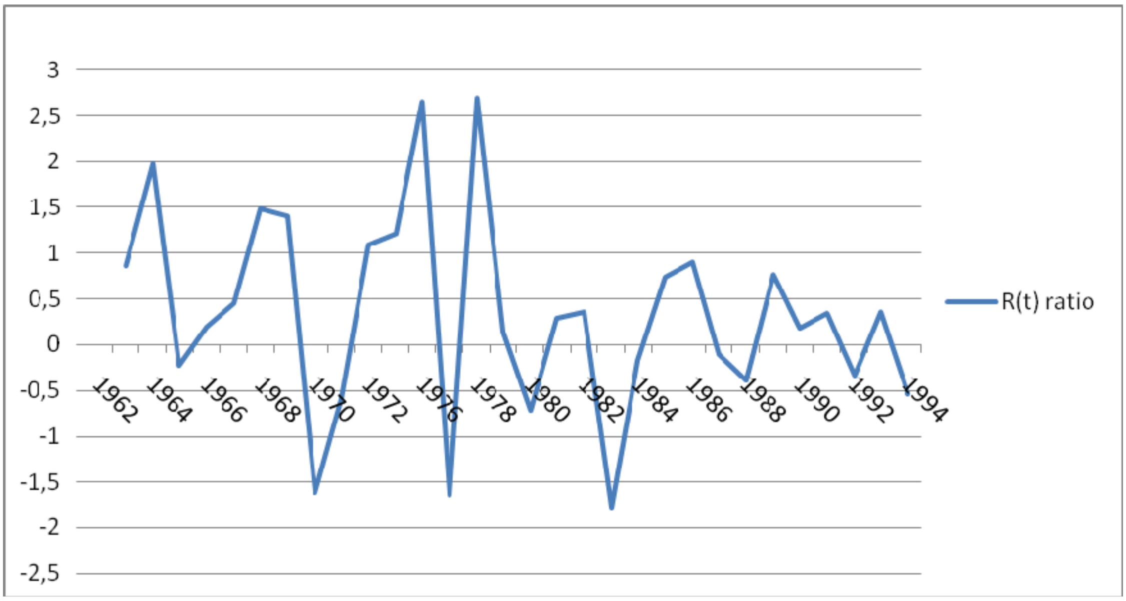
The third proposition of the NWW framework remarks that *the origin of legal systems lies in the definition of elite privileges*. The embodiment of this proposition in the founding structure of independent Kenya could not be more visible than in the land law system. As Kenya emerged from the colonial system, the elite found themselves possessing more land than the average citizen. Therefore, they instituted a legal system protecting private property in land. Doing so, they formally defined their privilege for freehold on land that had been governed by customary law in pre-colonial times. However, these *privileges* have not been converted into *rights* as non-elite freeholders still needed the protection of elites to avoid expropriation of their land particularly in tumultuous period of the 1990s.[43]

[§] Gikuyu refers to Kikuyu

5.2 Coming of age: the evolution of Kenya's natural state

By the time Kenya entered the second decade of independence, the era of constitutional politics was over, and the ethnic base of the dominant coalition had shifted further to the Kikuyu elite. Following suit on colonial tradition, the independence government had structured the day to day administration of the country to be carried out by provincial commissioners who reported directly to the president. KANU, which had always been a loose collection of regional patrons, was cut out of the policy making circuit.[44] To make up for the legitimacy that a strong party system based on ideological foundations could have provided, the regime devised a system of relatively robust internal democracy at parliament level interlinked with a battery of self-help associations, *Harambees*, that serve to link the parliamentarians with the grassroots.[45] In the process, Kenyatta achieved the status of such an invincible anchor of stability that the extralegal enforcement which is required to resolve intra-elite conflict in basic natural states used to come from him.

Fig. 6: The percentage of change in budgetary rent seeking out of total government expenditure



Source: Computed based on data from Economic Survey, various issues

The double balance that should be achieved by limiting entry to both the political and economic spaces was effectively maintained for much of Kenyatta's reign because political power coincided with the economic clout of the tribes of the central province. After the economic headstart that was given to the political elites through early land allocations, it was possible to shift to more subtle mechanisms of dispensing patronage resources that would effectively limit access via requirements of threshold capital. Hence, most of the rent in 1970s was distributed using budgetary means in the form of loans to parastatals, subsidies and purchase of equity in private enterprises. Fig. 6 displays the substantially high, albeit volatile, ratio of budgetary rent seeking in the 1960s and 1970s. [46] The ratio depicted in fig. 6 basically measures the year-to-year change in the allocation of the national budget to parstatal loans, subsides and purchase of equity. A sizable portion of this allocation accrues to prastatals or private enterprises controlled by the ruling elites. The absolute values of the change in budgetary rent seeking declined substantially after fiscal strains showed up after the end of the 1977 coffee boom.

However, as economic strains became apparent after the first oil shock and as the social sector investments of the independence government in areas such secondary education started churning out thousands of 'prospective elites', tension started affecting the stability of the dominant coalition. [47] The predatory tendencies of the Africanization scheme manifested through the replacement of efficient small enterprises owned by Asian Kenyans by less efficient establishments owned by African Kenyans also increased after economic strains showed up toward the mid 1970s. But these social and economic tensions by their own were nothing compared to the political tension they created through persistent rhetoric by populist politicians targeted at attacking the de facto restrictions to economic activities. More importantly, the political tension was intensified because it originated from within the Kikuyu community, with the potential of rocking the dominant coalition at its core. The extralegal procedures for rectifying this particular intra-elite conflict culminated with the assassination of J.M. Kariuki, a wealthy and fiery Kikuyu parliamentarian.[48]

Although he had always made sure that they would not grow into independent centers of power, Kenyatta gave the civil service and the judiciary relative autonomy.[49] The regime also presided over the growth of more other forms of organizations. Some unions such as Kenya Association of Manufacturers were bold enough, at times, to openly contradict government policy and lobby for its reversal.[50] The state allowed the flourishing of ethnic associations with dual interest in social welfare and business ventures. One of these associations, GEMA, came close enough to supplanting the overly-weakened KANU by mobilizing millions of members and living up to the discipline of holding regular internal elections, which were both conspicuously absent in the later.[51] GEMA's leadership consisted of top government officials and some of the wealthiest individuals in Kenya. They operated with tacit blessing from Kenyatta.

GEMA's run as a shadow political party reached a climax when its leaders orchestrated an extensive campaign to get the constitution changed in order to bar vice president Moi from succeeding the presidency in case the incumbent died in office. The audacity of this attempt, organized by a tribally exclusive group which was part of the dominant coalition, might give the impression that the real center of power was being fragmented between the state and a splinter group: a quintessential sign of a fragile natural state.[52] But the key aspect differentiating this trend from typical fragility lies in the issue that the elites chose to challenge each other about, namely the constitution. It was also by making specific reference to the constitution that the elite group defending the status quo rebuffed "the change the constitution" movement. Accordingly, with de jure support acquired through the constitution and de facto blessing received from Kenyatta, the intra-elite conflict was resolved and Daniel arap Moi succeeded Kenyatta in the eventuality of the latter's death. Section 7 will specifically focus on the dynamics surrounding Kenyatta's succession.

The first major adjustment that the dominant coalition in Kenya had to go through came in the form of Moi's accession to the presidency. Moi had quickly made an overtly public commitment to members of the dominant coalition by declaring 'Nyayo' (footsteps) as his central strategy. In the absence of a strong and autonomous party, Moi did not have any choice but to reach out for a haphazard system of Harambee associations which had essentially represented the economic vetting mechanism of a single party electoral system. But he also moved steadfastly on reviving the party as the new center of power. Although he was obviously aware of the confrontation he had faced from the Kikuyu elite in the "change the constitution" campaign, he could never afford to exclude the Kikuyu at the beginning. That is why he tried "to drive a wedge between Kenyatta's political bailiwick in Kiambu and the other Kikuyu districts".[53] He also took the precautionary measure of reshuffling the country's police force with no fanfare, using the pretext of controlling corruption.[54]

Moi's worst enemy, though, did not come from any particular segment of the dominant coalition or a non-elite group. The scourge of Moi's new government was unleashed by the economy. The macroeconomic health of the economy had already been disturbed since after the first oil shock. As soon as things seemed to get back to normal with gains out of the coffee boom, the windfall was squandered leading to further inflation.[55] The economic squeeze could not come at a worse time for Moi. As it is, economic contractions always endanger the stability of a natural state coalition. In Moi's case, the contraction happened in his first year in office when he needed to consolidate his coalition by integrating his less endowed Rift Valley allies into the patronage system. To make things worse, the effects of the economic problems on the general public triggered sporadic protests and strike actions.[56]

When the Moi government rammed the constitutional amendment that turned Kenya into a de jure one-party state through parliament, they were trying to preempt the impending collapse of the dominant coalition with the risk of the remaining Luo elites breaking away to join a new party that would have been formed by Oginga Odinga.[57] With the two biggest ethnic groups falling out of the dominant coalition, the regime had to quickly adjust the de jure space to its de facto capacity. The abortive coup d'état of August 1, 1982 was only a culmination of a long standing fracturing and a curtain call of a relatively open basic natural state.

The closing off of access to organizations to the outgoing Kikuyu elites had already started in earnest much earlier than the final blockage in the political sphere. GEMA was pressured to wind up and its directors were brought to court for failing to file returns in 1980.[58] More profoundly, targeting the organizational abilities of the professional civil service, Moi ordered the de-registration of Kenya's largest trade union: Union of Kenya Civil Servants.[59] This trend continued after the coup attempt. Most notably, in 1985, the Kenya Farmers Association was shut down and replaced by the Kenya Grain Growers Cooperative Union. This last move was intended to reduce the influence of wealthy Kikuyu farmers.[60] It also had a second objective of shifting patronage bases in agriculture to cereal growers in Moi's political base in the Rift valley. "(Moi) could only establish a national base without disturbing the foundations of landed property itself by using the agricultural bureaucracies to promote a fundamental ethno-regional redistribution of resources."[61]

As the government tightened its grip on other forms of organization, it obviously maintained the tightest of all grips on the state machinery and the judiciary. In a clear departure from the professionalism and autonomy that had characterized the civil service in Kenyatta's times, Moi used to rotate senior members of the civil service every two to three years. He also became the chairman of both the Public Service and Judicial Service Commissions.[62] He set out to ensure the complete subordination of any autonomous enclaves within the state when he "arrogated to himself through law the power to dismiss both the Attorney General and the Auditor General at will."[63] The government also amended the constitution deleting the provisions for judicial tenure.[64]

Moi brought the Kenyan nation to the fuzzy area between a basic natural state and a fragile natural state when he eliminated the secret ballot system and replaced it with queue voting. This dramatic action was coupled with the strict disciplinary measures introduced in KANU's internal rules to destroy any remaining security the elite might have felt inside the dominant coalition and make everybody's fate hang on the goodwill of the president. However, there was about one set of independent organizations that the coercive machinery of Moi did not manage to bring into the fold: the churches. And that is precisely where the first public protest against the increasingly autocratic system originated to later gain traction in the international pressure for democratization at the dawn of the 1990s.[65]

It is no simple coincidence that the spell of economic recovery in the second half of the 1980s matched with the revival of multi-party demands. The source of the recovery which is partly attributed to the mini-coffee boom in 1986 had brought sufficient windfalls to the coffee growers of the central province. Although there were no official avenues left to support electoral candidates of their choice, the wealthy farmers could use their money to secretly finance underground opposition.[66] But the main thrust in support of multi party politics emanated from outside; and it came in the form of the suspension of donor funds used to pressurize the cash-strapped Moi government. Moi conceded grudgingly to repel section 2A of the constitution that had stipulated a single party system and to re-introduce multi party elections. Nevertheless, his narrow coalition, apparently, vowed to shift the fight from the high-politics of Nairobi's elite to the low-politics of the rural areas. Outright violence was used to gerrymander and suppress opposition votes in a trademark move of a threatened coalition of patrons resorting to attacking the clients of their rival patrons.

Susan Mueller argues that Kenya has carried a legacy of weak institutions, diffused violence and non-programmatic political parties over into the new century. She also points out that many of those aspects are the products of the 1990s.[67] Daniel Branch and Nic Cheeseman remarked that Kenya was subject to elite fragmentation and state informalization as it was undergoing political liberalization.[68] Both sets of authors attribute the widespread violence after the 2007 elections to the respective factors mentioned above. But what they failed to do is to put the underlying conditions that led to the post-election violence in 2007 in perspective with the corresponding conditions that had underlain the peaceful transfer of power only five years earlier in 2002. In other words, why did a dominant coalition that had managed to oversee a constructive adjustment only one election-term earlier fail miserably to hold itself together in the run up to the next election?

On top of all the above factors that augur fragility, there was, at the same time, a bundle of political economic aspects that might have contributed to maturity of the natural state. Although it is characterized by high inequality, Kenya has always had a substantial middle class and a growing service sector. "Ever since independence, Kenya, unlike most other African countries, has allowed strong nongovernmental sector to exist."[69] The residual social capital carried over from the days when ethnic welfare associations were popular might have also facilitated mass mobilization. As mentioned above, the churches in Kenya are outspoken critics on social and political problems. In a stark demonstration of the power of the civil society in the 1990s, a nationwide forum of constitutional reform was instituted under the name of *Ufungamano* to fully detach the review process from the influence of the state.[70]

With the backdrop of a mosaic of the aforementioned factors of fragility and maturity, an elite consensus was achieved in 2002 brokered by a supposedly self-enforcing power sharing agreement for the new elite and a clean leave exit strategy for the old guard. The major incidents between 2002 and 2007 between members of the dominant coalition could be summarized as the dishonoring of the power sharing agreement and the stalling of the constitutional review process. The occurrence of these adverse developments had revealed to the elite that, in the absence of durable institutions, they could not rely on the legal enforcement of intra-elite agreements. The collapse of the dominant coalition was inevitably followed by violence.

One interpretation of the events of the first decade of the 2000s could be articulated as follows: the parameter space for defining the country's position on the fragile-basic-mature natural state spectrum has become narrower. This implies that it is not only a country's position on the scale of natural state development that varies. The configuration of the scale itself could be dynamic depending on a host of country and time specific factors. Kenya fulfills many of the preconditions that would pave the road to fragility. But it also has a number of active enclaves of maturity as well as a potential for civic engagement that was only deactivated due to the repression in the 1980s. Therefore, with the shadows of fragility and maturity lingering in the horizon all at the same time, the actual equilibrium is mainly determined by the credibility of the intra-elite enforcement mechanisms and the level of centralized control of violence.

VI. Pillars of Kenya's natural state social order

6.1 Overlapping political and economic interests

It has been mentioned recurrently in the proceeding sections that the relative stability of early independence Kenya owed much of its source to the fact that the late colonial period African elite were drawn from a pool of well educated and wealthier people. What is more interesting in the natural state interpretation of the post-independence history of the nation is, however, the manner in which this pattern had been perpetuated ever since. Political power has always been a major means to accumulate wealth, as much as money has been crucial to attain public office.

The fact that political office leads to material wealth comes down directly from the logic of the natural state. Once the elite have acquired political power, it becomes necessary to provide them with access to economic rents in order to avert violence. But the other side of the two-way relationship, the fact that political power emanates from economic clout, does not necessarily apply to every basic natural state. This later part is a peculiar characteristic of states that have drawn their social contract based on a substantially inegalitarian initial position, driven by political elites endowed with an economic head start. Such states tend to be cohesive as long as they are able to channel part of the surplus to non-elites using a patron-client network designed in such a way that keeps the clients apart. The next section will deal in detail with how Kenya's elite manage such a network.

The most glaring example of the institutionalization of 'money politics' came right out of KANU's resolution of 1971 which restricted the contest for national-level party seats to members who had paid KSh. 1000 in life membership fees.[71] The resolution contradicted the official position of the government expressed in Sessional Paper No. 10 of 1965: "Political rights did not derive from or relate to economic wealth or status."[72] However, the stipulations of the resolution were invoked by the political elite several times in subsequent years whenever they found it fit to limit access to the political arena. The power of personal wealth in politics increased in later years when the size of the centralized patronage base diminished because of economic stagnation. The number of MPs whose main occupation had been business grew dramatically from only 10 percent in 1969 to 27 percent in 1983.[73]

Apart from a conscious effort by the elite themselves to share the political space only with the affluent, the nature of accumulation in early independent Kenya also contributed to the link between money and politics. Initially, land was much of what the new elites got. In order to develop and invest on the large farms they took over from the white settlers, they needed to mobilize financial capital through loans. On the one hand, wage employment was the only viable collateral and indicator of credit worthiness.[74] On the other hand, politics was indispensable to secure prestigious civil service positions.[75] Therefore, the elite would be obliged to enter the bourgeoisie class via the bureaucratic corridor. The practice of providing credit based on landownership worsened the existing inequality and contributed to the predominance of the same group of elites in the political power structure for long time.[76]

The increasing intervention of the state in the economy in the name of Africanisation was used by the dominant coalition to attract more affluent and sufficiently powerful people in need of capital and marketing support from statutory bodies. At the same time, it was used to dispense patronage to less affluent but politically powerful groups. The net losers out of this process in the 1970s were Asian Kenyans who clearly were affluent, but lacked political capital even though some of them took part in the struggle for the country's independence.[77] The state apparatus was further used to promote the status of the more affluent members of the coalition to partnerships with foreign capital as most of the local service sector is left for their less affluent counterparts.[78] A case in point is the quasi-legal manner in which the directorship of Lonrho, a giant British owed corporation, shifted from Kenyatta's to Moi's inner circle as the regime changed in 1978.[79]

In a single-party state with a highly subdued party and excessively strong presidency, the civil servants were the real politicians responsible for policy formulation and national agenda setting.[80] Therefore, the government made sure that the economic interest of this crucial section of the dominant coalition had been taken care of by adopting the recommendations of the Ndegwa Commission. The report of the commission of inquiry recommended that civil servants be permitted to engage in private sector activities subject to certain safeguards.[81] However, in the implementation of the recommendations, the 'safeguard' portion had been conveniently neglected leading to extensive conflicts of interest. Another commission of inquiry, almost 10 years later, confirmed the existence of corruption sanctioned by the recommendations of the earlier commission.[82] Regardless of all the misgivings that had surfaced against the Ndegwa report over the years, Moi, as soon as he took over power pledged support to the commission's recommendations.[83] He did that, apparently, with consideration of the continued use of the policy tool to glue his coalition together.

6.2 Entrenched patron-client networks and tribalism

Throughout its post-independence history, the dominant coalition in Kenya has been organized as a massive patron-client network. The installation of self-help organizations (*Harambees*) as the principal units of development and political mobilization had effectively transformed patron-client networks into quasi-formal institutions. The effectiveness of the system lies in its role of linking the dominant coalition with the grassroots. "To maintain the legitimacy of Kenya's formal political institutions, Kenyatta, and latter Moi, fused them with a system of patron-client relations and *Harambee* cooperative development projects."[84] The role of the organizations in supplementing the taxation and redistributive functions of the government was also notable. Unlike regular tax that could disappear in the government coffers, the benefits of *Harambee* contribution could be traced easily either in terms of the patronage it has bought or the public good it has financed.[85]

During Kenyatta's times, the patron-client mechanism configured around *Harambees* was used by the government to keep the lower level the political arena as competitive as possible. Both wealthy and poorer clients will be willing to rally around a patron so much as they are sure that the latter will win them access to the national cake and the political inner circle. NWW describe this condition as follows:

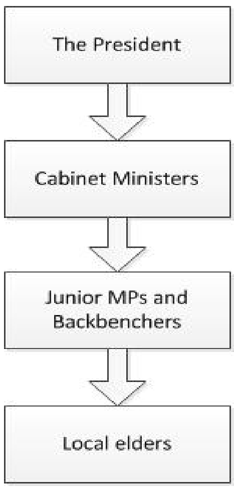
> Clients have more confidence in patrons if the patrons are embedded in a larger set of social arrangements where the patron's ability to enjoy a stream of rents from his or her clients is part of what makes the larger arrangement sustainable. (pp. 38)

Elections were seen as local referenda on the ability of the incumbent to deliver development.[86] That way, the elites heading a parallel patronage network and the ones in the upper echelons will insulate themselves from the contagion of illegitimacy that could probably creep in if the patron of one particular network fails to deliver. Other than that, elections served as a mechanism of redistribution of wealth accumulated at the top without resorting to populist policies.[87] The important role of *Harambee* projects in the quest for legitimacy is evidenced by quadrupling of reported projects in the stormy period of Moi's rule between 1980 and 1989. During the same period, Moi personally contributed Ksh. 130,594,285.[88] In a telling declaration of his reliance on patronage networks, Moi once spoke to a crowd at a fundraiser:

> "Some of you are wondering where I get so much money to donate. You think Moi has one or five friends? I have many friends"[89]

The upper level of the patron-client network goes straight up to the president.[90] According to the characterization of the network by Joel Barkan, the president sits as a chief patron on top of a four-tiered patron-client structure. As depicted in fig. 7, from the president down, the network is fitted with clients who themselves are patrons of their respective dyadic network. Cabinet ministers, Members of parliament and local elders, who have proven their ability to support their respective segment of the dominant coalition populate the lower rungs.

Fig. 7: Patron-client structure during Kenyatta's reign



Patron-client networks should be glued by either instrumental or affective ties, or a combination of both, that bind the dyadic link between every patron and his respective client.[91] In Kenya the instrumental type of ties could be represented by relationships in trade and professional associations or civil service networks. But like in many African countries, the most viable and strongest ties are the affective ties of tribal identity. The power of tribal identity originates from the very making of the Kenyan nation, which was a colonial amalgamation of previously self-contained tribal communities. Naturally enough, tribal identity was the only means of mobilizing collective action. Accordingly, the first two African organizations formed in 1922 to lobby for native interests were ethnic based.[92] That particular development set the trajectory for the evolution of socio-political organization that has continued well into the 21st century.

The colonial strategy of fragmenting the native reserves along ethnic lines and allocating land accordingly gave tribal identity a rather powerful role of delineating viable economic units. This trend had obstructed pre-colonial economic interactions between different tribes and put the tribal groups on confrontational courses. "'This conversion of negotiable ethnicity into competitive tribalism has been a modern phenomenon,' writes historian John Lonsdale. 'Tribe was not so much inherited as invented.'"[93] But with the intensifying pressure for more rights and the distraction that could have created on the colonial administration during the Second World War, all tribal associations were banned in 1940 and local mobilization was further reduced to the level of Local Native Councils.[94] Consequently, Kenya's polity did not have sufficient experience of trans-ethnic political mobilization by the time independence arrived.

The organization of the first national parties, KANU and KADU, as strategic teams of bigger and smaller tribes, respectively, is a clear sign of the power of ethnicity in the newly independent country. As the most viable basis for mobilizing collective action, the role of ethnicity was not necessarily viewed in solely primordial terms. The Weekly Review narrates the assessment of the first major ILO study on Kenya on this particular subject:

> "Tribal identity can have many positive aspects. It has been a major element in the harambee movement which has contributed so much to Kenya's development effort…The challenge is to develop a policy of integrating Kenya's ethnic diversity into a differentiated whole, free from the debilitating effects of tribal prejudice and discrimination"[95]

The pitfall identified in the latter part of the preceding excerpt proved difficult to avoid. In a society characterized by unbalanced regional development due to settler influence, some groups such as the central province tribes were bound to be more educated and involved in the modern sector. Given this fact and the patron-client structure that the dominant coalition is organized around, it follows directly from the basic setup that ethnic inequality would be perpetuated with the risk of nurturing perceptions of favoritism. One demonstration of the ethnic imbalances in the top echelons of the dominant coalition comes with the fact that 30 percent of the cabinet were Kikuyu in 1969, 1974 and even as lately as 1979 under Moi, whereas the share of the tribe in the total population has never been more than 20 percent.[96]

In such ethnically charged environment, the dominant coalition used ethno-regional networks to organize the distribution of rents to non-elites and to contain lower level violence. But in order to maintain its own viability, it had to ensure cooperation between different patrons who had the potential of wielding violence. Kenyatta, having been comfortable with his position as *Baba Taifa*, Father of the Nation, allowed a certain level of collusion among inter-ethnic patrons. As part of their *Harambee* obligations, local politicians sometimes had to seek sponsorship from politicians from other ethnic groups and regions to complement their financial contributions.[97] Nevertheless, the elite had to be watchful to prevent any significant collusion among the clients that would have threatened potential class mobilization.

For most of Kenya's post-independent history, the elites have succeeded in fragmenting the peasantry and urban proletariat using overarching tribal distinctions. Unionized African labor struggles for better employment conditions, but when it comes to national politics workers tend to vote along ethnic lines.[98] The only time ideology had reigned over tribalism in the whole of the country's post-independent history was during the brief period between 1966 and 1969 when KPU was established on a left-wing agenda. The party derived most of its support from the petite-bourgeoisie.[99] That development triggered extensive scare on the side of the bourgeoisie; and the elites have made sure ever since that ideological differences are downplayed in Kenyan politics. Kenya's elites have learnt their lessons to systematically play the class card when times are good and the ethnic card when class relations deteriorate.[100] A recent experimental study has also confirmed that ethnic affinity trumps liberal attitudes even among girls with prestigious education.[101]

In spite of the predominance of ethnic politics at a national level, sporadic flurries of intra-ethnic tension provided witness to the lingering presence of class consciousness in the highly unequal society. The most prominent case of such tension occurred toward the mid-1970s when class struggle within the Kikuyu community, ironically led by a very wealthy MP, ended up claiming the life of its leader (i.e. J.M. Kariuki) in a mysterious homicide. Given the strategic position the Kikuyu tribe held in the dominant coalition, the tension spilled over easily to the realm of the overall coalition, threatening its demise. A lesser known case of intra-tribal class struggle that happened at the height of Moi's kleptocratic rule is the movement of Nandi nationalists, who formed part of Moi's own Kalenjin tribe. In the face of extensive land grabbing by Moi and his allies in their region, the Nandi nationalists articulated their land agenda in a class framework rather than on a purely patrimonial logic based on ethnicity.[102]

Daniel arap Moi acceded to the presidency in spite of, rather than because of, such entrenched ethnic based patron-client networks. He hailed from an ethnic group that was not as affluent as some of the bigger tribes potentially contending for power. Moi started off with appeasing the Kikuyu business elite; but he subtly pursued a shift towards redistributive policies from the very beginning. However, the calls for a more egalitarian system were focused on reducing disparities between Kenya's principal ethnic groups, glossing over inequalities in the distribution of personal income.[103] The strategy was essentially geared towards establishing further equality between patrons. The regime used the double pronged strategy of extracting surplus from the Kikuyu farmers coupled with the political tactic of using elections to weed out the old patrons from the dominant coalition. "In 1984, not a single Kikuyu leader from the independence cabinet remained in the Assembly."[104] On the economic front, Moi turned to seek the alliance of Asian Kenyans when he realized that he had failed to co-opt any significant Kikuyu faction. "An uneasy yet mutually accommodating relationship between Asian-Kenyan entrepreneurs and African-Kenyans in political power had created a highly protected, uncompetitive, and oligopolistic industrial structure."[105]

The patron-client analysis by James Scott, based on the historical experience of Southeast Asia, predicted that economic growth and increased commercialization would contribute to the rearrangement of patron-client networks resulting in the creation of less personalized relationships.[106] So, why did the robust growth performance and intensified commercialization in the 1960s and 1970s failed to transform the nature of the patron-client relationships in Kenya? Part of the tentative answer to this question could be drawn from the patterns in growth performance portrayed in section three. Economic growth in Kenya has been dominated by the performance of the smallholder agricultural sector. Despite its minimal contribution to growth and levels of GDP, the modern sector was highly dependent on budgetary patronage from the government (see fig 6).

In case of potential reconfiguration of the patron-client network and subsequent liberalization of economic relations, the elite knew that they might not profit from the new system in excess of their marginal contribution. Therefore, the elite could not allow the reconfiguration of the very system they rely on for legitimacy, rent creation and rent sharing, and risk the eventual collapse of the dominant coalition. But at a micro level, where the growth prospect is exogenous to what happens to the affective network, economic expansion is shown to have affected the performance of patron-client networks. Goran Hyden (1988) profiles the fall and rise of the Kibirigwi Farmers Cooperative. Because of the mismatch between the affective and organizational boundaries of the cooperative, clan rivalries had paralyzed the operation of the cooperative in the 1960s. But when the coffee boom happened in 1977, managerial efficiency increased because sufficient scale was created for the delegation of operational responsibility to the level of the coffee factory. Hence, this latter development "suggests that during the economic boom, the opportunity to reconcile conflicting forces within the economy of affection increases, as does the chance of erecting more complex institutions."[107]

6.3 Land, riches and violence

As much as land is the centerpiece of the political economy of Kenya, the discussion regarding the specific effects of its ownership structure has been interwoven in all of the preceding sections. Therefore, the object of this subsection will be reflecting briefly on the interpretation of the overall evolution of land institutions in terms of the logic of the natural state.

The settler colony was formed on the basis of land. The struggle for independence was conceived because of grievances on land. Loyalty to the colonial system was rewarded with land. The dominant coalition at independence had land at its disposal as the principal carrot and stick. But the elite did not want to leave their bet on land open to potential natural state adjustments. Most of the land in the central province had already been adjudicated and registered by independence.[108] The sanctity of private property on land was enshrined in the independence constitution. Fortunately for the elite, the property rights creation process did not have to be subjected to the criteria of economic viability in terms of financing its own costs. The influx of donor funds attached to the interest of outgoing settlers helped to foot the bill without bothering the dominant coalition to ration privileges based on economic criteria. This process was essentially the mother of Kenya's capitalistic institutional framework that was subtly mixed with targeted state intervention.

Another institutional aspect that has been permanently affected by elite calculations around land is regionalism. The Kikuyu were allied with the Luo to seek a unitary state because both groups had intentions to expand into the Kalenjin territory in Rift Valley. On the other hand, the Kalenjin allied with the Luhya to seek a *majimbo,* federal system, because of fear of encroachment from the first two big tribes.[109] The issue of regionalism has proved recurring in the political economy platform of the country, shaping the debate as lately as in the promulgation of the 2010 constitution.

The creation of freehold titles in the major agricultural regions of the country, and more specifically the need for consolidation of plots it entailed, was not received with unanimous euphoria all over the country. It was criticized on the ground that it would interfere with the customary way of mitigating climatic risk by keeping plots in different agro-ecological zones.[110] But the opposition from local patrons was persistently quashed by the new national patrons forming the core of the dominant coalition as 'laziness' and irrational behavior'.[111] Apparently, all was not well for the non-elites. Although the reform was expected to mitigate problems such as land fragmentation, lack of collateral for agricultural credit and excessive litigation, "indiscriminate institutionalization of private land tenure has actually multiplied them".[112] It also contributed to landlessness and impending tribal tension as the availability of disposable titles caused people to quickly sell land to other tribes (e.g. Massai to Kikuyu).[113]

The post-independent law of landownership maintained a mixture of freehold, public land and trust land tenures in a way that would stabilize the dominant coalition. Since the core of the coalition was assured of the possession of prime land with a freehold title, the patronage needs arising from further natural state adjustments have been taken care of by dispensing public land. The commission of Inquiry appointed in 2003 to investigate the abuse of public property rights in land throughout the post-colonial period came up with the following finding:

> "Public land has been variously allocated for political patronage purposes. Land has been given out either as political reward, or in return for political loyalty. In extreme situations, public land has been subject to outright plunder through speculation. This latter phenomenon

has resulted in the unjust enrichment of a few people at great expense of the general welfare of the public."[114]

Actually the enormous wealth the elite have managed to extract out of the land system has always been an open secret in Kenya's public sphere. It was as early as in 1975 that The Times of London calculated the landholdings of Jomo Kenyatta and Ngina Kenyatta at over 1 million acres.[115] Not surprisingly, the introduction of Land Tax had been fiercely resisted regardless of repeated initiatives taken by MPs and economic experts to bring the issue to the table.

Landlessness has always been predisposed to be a major threat of stability for any dominant coalition in Kenya. Only 8 percent of the country's land is arable.[116] Kenya has had one of the fastest population growth rates in the world averaging 3.9 percent in the first two decades after independence.[117] Planners have warned that Kenya's economy must grow by at least 15 percent per year for the remainder of the century if disaster is to be averted.[118] The first phase large-scale resettlement scheme did not address the roots of the dynamics of the problem as much as it appeased the political base of the then dominant coalition. Rural-urban migration served as an exhaust pump to relieve the pressure of landlessness.[119] However, with stagnant urban economy, it simply shifted the problem to an area where the powerful landed interests would not be bothered.

In the absence of a well developed capital market and prudent financial policy, land is not just a productive or patronage instrument, but also a major store of value for Kenya's elite.[120] Therefore, it would be fair to expect that the dominant coalition will act to maintain the speculative value of land. Policy uncertainty feeds speculative motive. Accordingly, even if there was no risk of losing out of reform, the elite would resist land reform to maintain the speculative rent they get out of the policy uncertainty.

For most of the three decades after independence, land was used more as a carrot than as a stick. Even in the 1980s, when the Moi coalition was beleaguered by economic problems and dwindling patronage base, local elites did not try to use land for violence. No matter how strained the economic side was, the regime had managed to strike a kleptocratic equilibrium where it combined coercion and corruption to limit access to the political space. The reintroduction of multi-partyism at the beginning of the 1990s threatened to open the flood-gates of the political space in the face of a tight situation where the stagnating economy would have never allowed the existing coalition to balance the economic and political spaces and maintain its members in their privileged place. Therefore, historical land grievances were invoked to unleash violence on opposition supporters. While smallholder farms in the Rift Valley were desecrated, large-scale farms were not invaded because the political elites, who were wealthy farmers themselves, did not want to create precedence.[121]

Apart from exploiting historical land grievances to incite outright violence around election times, the Moi elite continued to deliberately weaken the institutions of property rights in land.[122] They worked to compromise the credibility of the public registers of title, for instance, by issuing double titles for a single plot validated by official stamps. This way, they would permanently undermine the public's confidence in the registers. People who received land in the form of patronage would never dare to renege on their cliental commitments because there was no guarantee if another title would be issued on their plot. By carving an extralegal enforcement mechanism out of the legal system, the political elite made sure that economic privileges are not converted into rights.

VII. Elite competition and institutional transition

7.1 Extended theoretical framework

The day-to-day reality of dominant coalitions is not as neat and streamlined as the literature might suggest. There is constant elbowing and backstabbing that is inherent to the workings of dominant coalitions in developing natural states. A brief look at the NWW framework could give one the impression of watertight unity between political and economic elites as long as they are part of a stable coalition or sub-coalition. Nevertheless, the two groups always rally for their own interests. Since the power play-off between these two groups is one of the determinants of the path of institutional change, it is treated with some detail in the following paragraphs.

I have devised a two-by-two space of political-economic interaction characterized by different levels of influence by the economic and political elites within the dominant coalition.[123] The two dimensions represent the influence of the average economic and political elite group as a proportion of the overall political-economic capital in the society. As fig. 8 demonstrates, societies with strongly concentrated political elites occupy the upper plane whereas societies with fragmented political elites occupy the lower plane of the graph. The same distinction works for the economic elite across the right and left planes. It should be noted that the influence of the groups is scaled in relative terms and that is why we find both open access orders and failed states in the same quadrant, i.e. quadrant III, due to a reason that will be explained shortly.

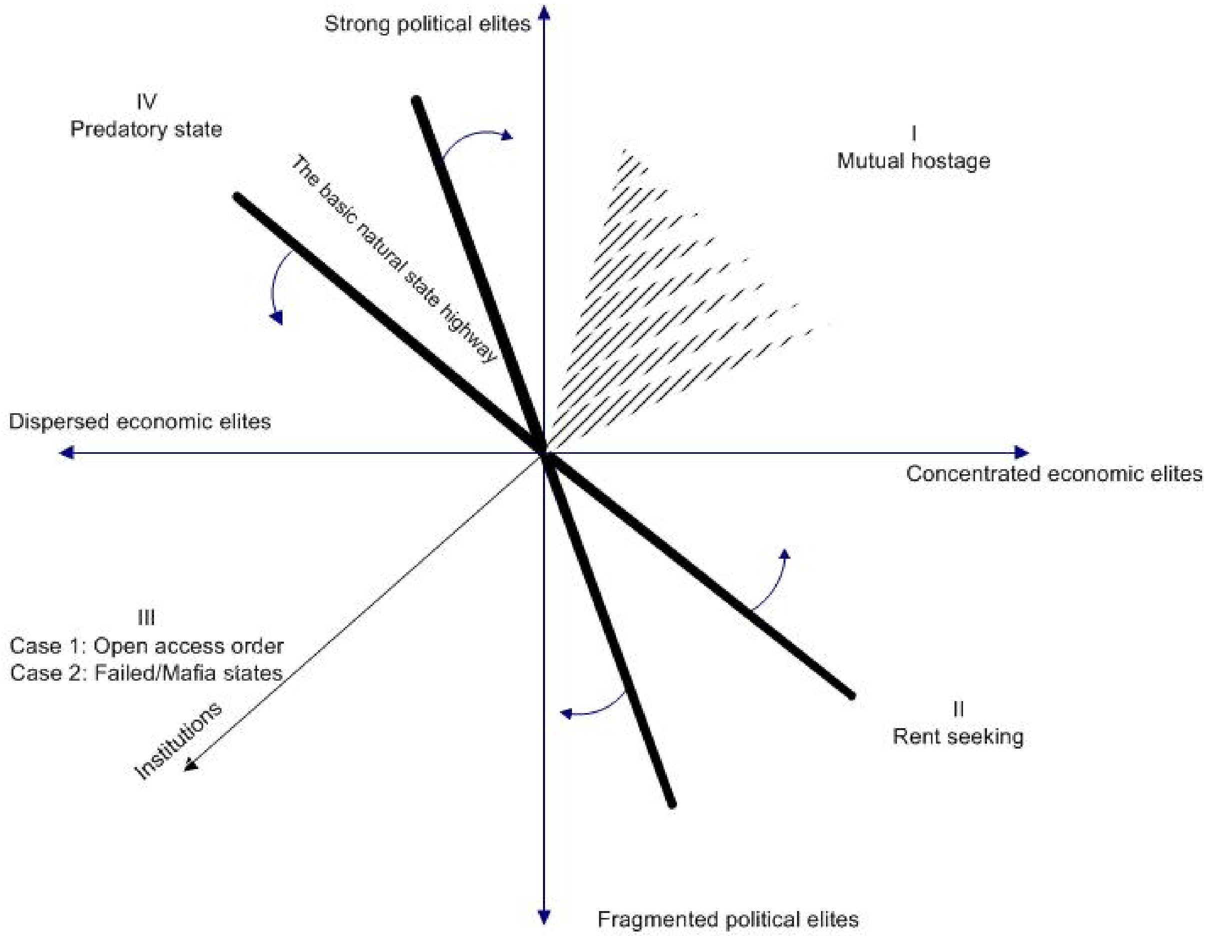


Figure 8 - Intra-coalitional dynamics and stability

The most common cases in contemporary natural states fall in either quadrant IV, where the political elites play with a heavy hand or quadrant II, where the economic elites control the state by proxy. In the first case, political elites have a unified interest base and sophisticated technology to extract rents from fragmented economic elite groups. This results in the predatory behavior of the state that we observe in many Sub-Saharan African countries. In the second case, the economic elites are organized either in the form of oligarchy or small-but-unified business interests that undermine the capacity of the political elite and demand exorbitant rents created by the state. This is manifested in the rampant rent-seeking behavior that usually happens during political transitions and in established oligarchies. As much as these scenarios are the most common ones across basic natural states, many of those societies do not tend to be static at one point, but rather they switch between the two quadrants as the natural state dynamics changes. Fig. 8 depicts the "basic natural state highway" along which societies move up and down depending on the power balance within the dominant coalition between political and economic factions. The highway maintains the dominant coalition in shape by limiting access to the rents in the general pool. In a more normative sense, the highway could be viewed as an equilibrium trap.

Societies could break away from the "basic natural state highway" in two directions. In societies where the dominant coalition could not wither the natural state uncertainties, and ensuing adjustments, it would eventually fracture and descend to fragility. This means that after taking the left "exit" from the "basic natural state highway", societies are more likely to eventually end up in quadrant III with failed or mafia states. Quadrant III, with a combination of dispersed economic and fragmented political elites, uniquely represents the two extremes of all social orders. The key to the distinction are institutions, which we have denominated by the third-axis to this particular quadrant. The four quadrants of limited access orders - predatory states, mutual hostage, rent seeking and failed states - are all two dimensional. Open access orders represent a shift from quadrant I to quadrant III combined with a shift along the institutional axis. No matter how enormous it is in absolute terms, the power of a corporation or a lobbying firm or even a presidency in a rich democracy is insignificant compared the overall political-economic capital in the society. With a different scale and economic status, that is the same for most failed states. To put it in an over-simplistic manner, less the institutions of democracy, property rights, and the rule of law, the social order in the United States would be similar to the one in Somalia!

The second way in which societies could diverge from the "basic natural state highway" is by taking the right "exit". That would only materialize if the dominant coalition strengthens itself with self-sustaining and internally consistent political and economic sub-coalitions. In quadrant I, where both the political and economic elites are too strong to override one another, a situation occurs that David Kang (2004) calls "Mutual hostage". This is essentially a prisoners' dilemma situation as both elite groups would be better-off by unilaterally defecting. However, the collective action problem is solved by the dominant coalition and a cooperative solution is very likely once the society moves towards the convergence zone (the seesawed region in fig.8). That is where most mature natural states would fall in.

The convergence zone is one potential avenue in which mature natural states will move forward with solidifying institutions and a declining relative influence of political and economic elite groups. This process could eventually carry them across the origin (which could be viewed as the "doorstep" in NWW terms) and put them in quadrant III as open access orders. Nevertheless, there is no guarantee that every society in the convergence zone would end up being open access order. Societies could remain trapped in crony capitalism characterized by an interventionist state and strong monopoly interests.

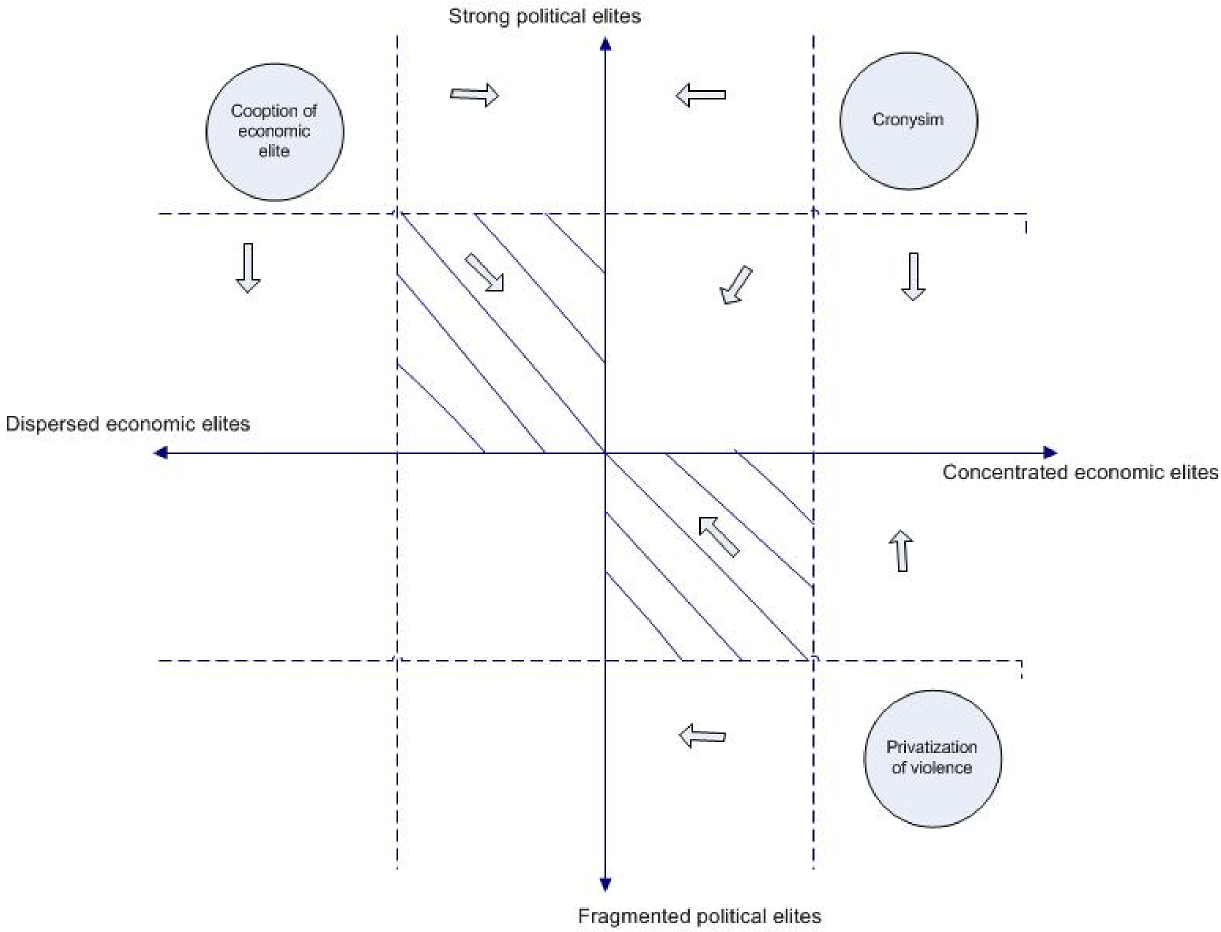


Figure 9 – Potential equilibria and paths of transition

Adding more nuance to the transition dynamics, fig.9 shows three of the most likely stable equilibrium zones to which many natural states gravitate. In the first case, when the political elites get stronger than a certain endogenously determined level while the economic elites are highly dispersed, the later will be co-opted by the former. In the second case, the excessive concentration of economic elites coexisting with high level of fragmentation of the political elite will lead to privatization of violence within an oligarchic setup. The privatization of violence represents the extreme form of a rent-seeking society. In the third case, when both groups are too concentrated, cronyism will emerge where political and economic interests will become indistinguishable.

The dynamic aspect of the equilibrium zones is represented by the directions of the arrows in fig.9. The portions of the three quadrants where the arrows lie represent unstable equilibrium zones. Accordingly, when the current equilibrium of a society is in the polarized zones characterized by the extreme dominance of either the political or the economic elites, a unilateral decline in the concentration of the strong group without a corresponding increase in the concentration of the other side will lead to fragility (i.e. quadrant III). On the contrary, the unilateral strengthening of the weak elite group will eventually lead to a mutual hostage situation. Cronyism shifts in favor of one group in case the concentration of the other side declines. When the weaker side gains and the stronger side loses simultaneously, the 'cooption' and 'privatization' equilibriums shift into unstable zones where the potential path will be determined by further natural state adjustments. Similarly, the mutual weakening of the cronyism elites leads to unstable equilibrium. But the later equilibrium is qualitatively different from the former two because it involves a potential path to open-access, depending on the development of durable institutions.

The preceding analysis implies that societies should probably opt to an even stronger-but-much balanced type of elite domination before they move to broad-based political-economic participation (for empirical exposition closely mirroring the theoretical analysis here, see Meisel and Aoudia (2008)). Of course this statement comes with unequivocal qualifier that rents should not be captured by inefficient groups and the political elite should be reinforced by strong state capacity. Given those conditions are in place, we could hypothesize that an inverted U-shape relationship emerges between relative elite domination and institutional development (see fig.10). The vertical axis in fig.10 represents "balanced elite influence". This is a concept I come up with to indicate the relative level of influence by the average elite group either in the political or economic category.[124]

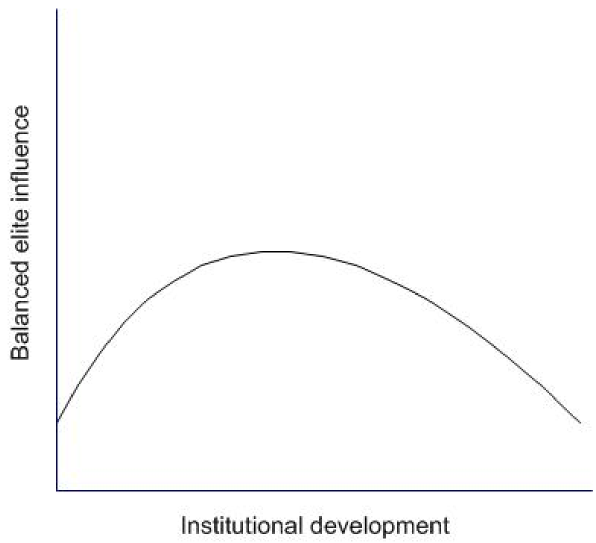


Figure 10 – Institutional transition and elite domination

Intra-elite rule of law can be represented by a vector of institutional characteristics of a subjective nature. However, the fundamental emphasis in the NWW framework on the balance between the political and economic spheres suggests that there should be at least two major dimensions of rule of law. This notion is further reinforced by the importance of the dynamic interaction between political and economic elite groups in the lead up to durable institutional change. At the political side of the equation, democracy stands out as a "metainstitution" that is an end in itself as well as used as an input for building good economic institutions.[125] But it should be recalled that we have already fixed our frame of institutional change as one that is characterized by elite domination. Accordingly, the concept of democratization that we are implying here is something close to stable and coherent "single-party democracy".

At the economic front, protection of property rights represents the pivotal institutional parameter that regulates intra-elite relationships. At the stage we are dealing with, property rights are not protected for the whole population. But they are impersonalized for the elites and converted from privileges to rights.

7.2 The Kenyatta succession

Kenya defied the general perception that post-colonial African states are bound to descend into political chaos, when its elite honored the provisions in the country's constitution and let vice president Daniel arap Moi take over the office of the late president, Jomo Kenyatta. This was the first major sign of maturity indicating the emergence of durable institutions mediating the enforcement of intra-elite bargains. The first question in this context that might be inspired by the preceding theoretical framework will concern the extent to which the competition between political and economic interests had contributed to the transition. The second question will be why, then, was the transition to greater maturity lost after just a couple of years?

The first step in analyzing the empirical dynamics around Kenyatta's transition using the above framework should be understanding the process of consolidation of political and economic elite groups in the years before the transition. Section 6.1 has already shed some light on the historical overlap between the political and economic interests of Kenya's elites. Many students of Kenya's history would agree that the first instance of substantive rift between political and economic elites happened when Moi acceded to power relying on his less affluent power base. Therefore, the first question stated above should be broadened to inquire whether the political transition was a result of political-economic elite competition, or the competition was created because of a transition that happened due to exogenous forces.

Cognizant of the inherent overlap in the identity of political and economic elites, the following analysis focuses on organized interests. This means an individual with a political portfolio and business interest could be represented in different organized interest groups that advance collective objectives of political or economic nature. Assuming that the political interest groups are mainly concerned in rent distribution whereas the economic interest groups are intent on rent preservation, a persistent tension between the groups will always exist, the balance of which will determine the equilibrium nature of the dominant coalition.

Political interest groups of the 1970s

With the radicals of KPU already out of the picture, by the dawn of the 1970s, KANU had already begun its decent to dormancy. But the ethnic bond, particularly among the Kikuyu, was strong enough to maintain a viable political faction. That was about the time when the GEMA entered the national scene. Although it was established with a mandate of a social welfare association, most of its leadership was composed of political heavyweights including several cabinet ministers. The association was able to mobilize the support of wealthy businesspeople and poor farmers alike. Two years after establishment the association decided to pass over the leadership role to business people in order to avoid public criticism that it was becoming a political organization. Shortly after, the GEMA Holdings Company was incorporated with a share capital of Ksh. 50 million, cementing the vested political ambitions of the association with impenetrable economic influence. Most of the elite members of the association could hardly be interested in the group for pure profit motives. Apparently, many of them had already made a name for themselves in business. According to the Weekly Review, GEMA's membership list "reads like Who's Who in the world of finance and business in Kenya.[126]

GEMA's political backside was clearly revealed when the leaders used the association's platform publicly to scramble to save the Kikuyu hegemony that was seriously threatened by the assassination of J.M. Kariuki.[127] As much as it brought out the association's political character, the intra-Kikuyu tension that followed the assassination severed the core of the association from the non-Kiambu Kikuyu elite. At some point, Kenyatta himself did not seem very happy with the aggressive manner GEMA played politics. He once asserted at a GEMA rally that he would not hesitate to ban any organization whose activities are detrimental to the stability of the country.[128] The haste with which the political elite tried to revitalize KANU a few months after the Kariuki crisis indicates the insecurity they felt with the widening organizational vacuum and the risk of KANU being supplanted by GEMA.

The final blow to any surviving and viable Kikuyu faction came with the failed attempt by GEMA's leadership to get the constitution amended to bar the vice president from succeeding the presidency. Ironically, the real power implications of the 'change the constitution' confrontation had more to do with the Kikuyu supporters and challengers of the vice president than the vice president himself. The campaign pitted the very powerful Attorney General, Charles Njonjo, who teamed up with Finance Minister, Mwai Kibaki, in support of the vice president, against most of the GEMA leadership. Most importantly, the support of the patriarch, Jomo Kenyatta, fell on the side of the vice president.

After the core of the Kikuyu political hegemony had fallen out, the demonstration effect spilled over to other tribal alliances as well. The silent fragmentation of the political elite continued until the eve of the 1977 KANU election, which was later cancelled because the president fell ill. Tamarkin (1978) describes the general picture of the fragmentation in the following paragraph:

> "The extent of the political fragmentation of the tribes was clearly revealed in the recent intra-elite struggle between the 'incumbents' and the 'challengers' in the 1977 KANU elections. The alliances cut right through most of the tribes. The Kikuyu C. Njonjo and N. Mungai were the leading figures in the 'incumbent' and 'challenger' camp respectively. The Kikuyu M. Kibaki and J. Gichuru contested the party chairmanship. D. arap Moi, the 'incumbents' candidate for vice-president, was to be opposed by T. arap Towett, a fellow Kalenjin." (pp. 313)

Actually, Kenyatta's attitude was based on a strategic calculation to divert attention away from his Kiambu inner circle in the eventuality of his death.[129] In perspective of his old age, by keeping them away from the national spotlight, he was trying to help his Kiambu kinsmen to maintain their gains after he would be gone.

Economic interest groups of the 1970s

The fragmentation of economic interest groups in Kenya emanates from the history and structure of the economy. As discussed in section 6.2 in greater detail, the organization of the dominant coalition on patron-client lines would naturally hinder the businessmen, who are normally clients of political patrons, from colluding at an organizational level. The persistent separation between the domains of foreign capital and the domestic bourgeoisie created fundamental problems for collective action. The parastatal sector, which had grown in importance in the 1970s, adds a third axis to the economic space making things rather complicated for organizing elite interest groups.

Manufacturing interest, dominated by foreign capital, was represented by Kenya Association of Manufacturers (KAM). Local trading interests were represented by the Kenya National Chamber of Commerce (KNCC). As the Africanisation drive intensified toward the mid 1970s, recurrent conflicts between the KAM and KNCC began emerging in earnest. [130] The Chamber was behind the lobby effort to introduce the Presidential directive of 1974 which ordered all locally manufactured goods to be distributed by citizens, effectively cutting out the distributive margins of the manufacturers. On the contrary, KAM lobbied for protectionist measures to restrict the inflow of imports which are central to the business of many of KNCC's members.[131]

The balkanization of the economic space was intensified by the limited investment opportunities available to the public. The Nairobi Stock Market was accessible only to institutional investors. Even that space was further restricted when the government slapped a 35 percent capital gains tax on share earnings.[132] In the same thrust as the Africanisation drive, the government set out to help the public get a foothold in the capital markets. Accordingly, shares were floated by the Industrial and Commercial Development Corporation (ICDC). Confirming the pervasive restrictedness of the economic space, 90 percent of the shares floated by ICDC in 1970 were bought by the Kikuyu middleclass.[133]

Factors that led to the constitutional power transfer

Putting together the above pieces of the picture of elite interest consolidation or fragmentation, one might realize that the Kenya of the mid-1970s was characterized by political fragmentation and polarization of economic interests. Therefore the endogenous part of the transition is predicated on Kikuyu political fragmentation that had led to a ripple effect in the form of KANU's implicit division. The fragmentation was not severe enough to threaten the overall stability of the dominant coalition because the Kenyatta persona was still there as the ultimate safety valve. Moreover, there was no strong, organized economic interest group that would have acted on taking advantage of the fragmented political interests to sway the equilibrium into its own rent-seeking state. GEMA was the only cohesive economic elite group that had dominated the scene with massive wealth and a matching organizational capacity. But, interestingly, GEMA was not per se an economic *interest* group. Particularly after the Karuiki-crisis, its political side overwhelmed the economic one. But that could not carry them the day. Their political influence was matched with the impregnable clout of Charles Njonjo, not to mention Kenyatta himself.

But the constitutional power transfer could have not been taken for granted based only on the endogenous factors described above. There was a critical exogenous factor that had tilted the final balance in favor of constitution-based transition in the face of an otherwise indeterminate situation produced by the alignment of the endogenous factors. That exogenous factor was the suddenness of the death of Kenyatta. After the transition had been over, the Moi government exposed some plans that were hatched to militarily prevent Moi from taking over the presidency.[134] Although the endogenous configuration assured the flimsiness of the plot, pure luck was also to take credit to some extent.

Reinforcing the effects of the endogenous factors, the occurrence of the coffee boom in the year leading up to the transition was another exogenous component. Kenyatta's later day inclusion of new elites into the fold, predicated on a strategy of ensuring eventual stability, was fueled by patronage resources earned through the coffee windfall.[135] As it turned out, the strategy worked via weakening the relative power of individual factions and ensured a peaceful transition.

In terms of the theoretical formulation of the transitional dynamics in fig. 9, the initial equilibrium in late 1960s Kenya could be described as 'cronyism'. That was the time when the political elites had rallied around the presidency as the only center of power while the economic elites were composed of foreign investors and early African capitalists who were cozy with the former. Towards the mid-1970s, the decline in the level of concentration of both interest groups shifts the dominant coalition to the unstable equilibrium delineated by the inner rectangle in quadrant I.

Why was the transition to an open access order lost?

It has been noted in the preceding narratives that Moi emerged as a victorious underdog in a political environment dominated by affluence and personality cult. Although the constitution had been used constructively to bring him to the presidency, he was all too aware of the fact that the other institutional prerequisites to sustain his power were not there. For one thing, the quasi-formal institutions of patron-client networks were too strong to be supplanted by any form of more impersonal institutional set up. Therefore, he had to depend on existing networks and pledge to follow in the footsteps of the late president. "The pace at which Moi could restructure the regime was necessarily slow as a result of his initial dependence on two senior Kikuyu leaders who had been mainstays of the Kenyatta regime, but who had chosen not to support the 'Change the Constitution Movement'."[136]

But the very fact that he had to rely on the support of a few very powerful individuals with a clientalist network that had not necessarily pledged their allegiance to him made Moi inherently insecure. He could not expand his tribal coalition and increase the weight of elite concentration on his side fast enough, because the ailing economy had limited his patronage options. Allegations that some wealthy individuals were trying to sponsor candidates to parliament also intensified the regime's insecurity. If that threat had materialized, according to the theoretical framework in fig. 9, it would have swayed the dominant coalition to a rent-seeking equilibrium in quadrant II.

Moi employed twin strategies to mitigate his insecurity. First, he appealed to populism. He ordered employers to take extra 10 percent new employees onto their payroll and he also instructed schools to provide free milk to their students.[137] It was not too long before the weak economy caught up with his populist plans and rendered them far too ambitious. The second strategy was systematically reducing the organized influence of the economic elite. In this regard, the government forced GEMA to disband and ordered the civil service union, which was the center of professional influence, to de-register. At the same time, Moi tried to increase the influence of his winning coalition by re-empowering KANU, a process that reached climax when the constitution was amended to institute a single-party state.

The transition was lost because Kenya was a maturing state but not yet mature enough to sustain fragmented political interests in the face of drying up patronage and unbalanced wealth distribution. There was no evidence indicating that the 1982 coup attempt was sponsored by any group with organized economic interest. But, if Moi had not preempted the Kikuyu elite by diluting economic interest groups, the dominant coalition could have been overwhelmed by the economic elites. After the coup attempt, Moi undertook extensive coercive measures to mitigate his insecurity including the forced resignation of Charles Njonjo, the Godfather in his ascent to the presidency. Given the lack of institutional constraints, the drastic actions taken by Moi in the early 1980s shifted the dominant coalition all the way to the extreme corners of a predatory sate, depicted in quadrant IV in fig.9.

VIII. Conclusion

There are a few African countries like Kenya where elites dating back to the independence era have stayed in the scene surviving though a tumultuous path of quasi-democratic politics. Kenya has so far managed to avoid outright civil war and successful coup d'états. But it has always flirted with lingering fragility bordered by resilient signs of natural state maturity. This paper has set out to explore the economic and institutional factors that have contributed to political stability or the lack of it in post-independence Kenya. The NWW framework of natural states has been a useful theoretical tool in interpreting the narrative and analyzing the major patterns.

Commitment to the continuity of the institutional structure inherited from the colonial state has been the hallmark of Kenya's political economy. Due to the presence of path-dependence in institutional change, the legacy of the colonial institutions persisted for a long time, supported by elite interests. The relative stability of the Kenyatta period was replaced by political and economic mayhem of the Moi era. But this did not happen because Daniel arap Moi was a person with inherent tendencies to dictatorship, at least not any more than Kenyatta was. Moi inherited an institutional framework that had organized the dominant coalition based on a structure of patronage-intensive patron-client networks. The Kenyatta government had not only left the next administration its institutional legacy, but it also bequeathed the Moi government an ailing economy exhausted by excessive reliance on state patronage. Moi responded to the natural state adjustments with drastic actions that have led to further stagnation and institutional paralysis.

The paradoxical coexistence of natural state fragility and relative maturity in Kenya has been demonstrated in no other instance than in the political economy developments in the first decade of the 2000s. The country had witnessed the peaceful exit of one dominant coalition in 2002, only to suffer under the painful collapse of the new one five years later. Even in the presence of a fertile ground for the growth of independent forms of organizations, which normally is a major sign of maturity, the persistence of patron-client networks glued by the affective ties of tribal identity have undermined the development of other viable basis for collective action. Moreover, some of the institutional features, such as regionalism and the land law system, have always been disputed since independence. The elite exploited those differences in a manner that has eroded the credibility of the whole set of formal institutions which could have been used to enforce intra-elite bargains.

The issue of land has been the linchpin of many of the institutional setups negotiated by the elites. Because the elites have already built a dominant coalition driven by the direct control over land or indirect control maintained through protection of the privileges of clients, they have the incentives to keep land tenure institutions ambiguous. The elite combined the potent forces of patron-client networks and tribalism with historical inequalities to effectively manipulate land both as a carrot and as a stick.

Wealth has always taken center stage in determining political influence in Kenya. Being the products of a colonial 'periphery center', the Kenyan elite were endowed with a conducive environment to nurture a capitalist system that also uses the state for targeted protection. The first substantial rift between the political and economic elite groups was created after Moi took office. But the fragmentation of both the political and economic interest groups had already started before Kenyatta died; and it had contributed to peaceful accession of Moi to power. However, the transition in the direction of an open access order was lost as Moi failed to transform the unstable equilibrium that had emerged after the transition to a more stable less-personalized dominant coalition.

Against a background of persistent elitism and high inequality, democracy has had a rough ride in Kenya. The historical balkanization of Kenya's society along ethno-regional lines has made it difficult for the elite to strike a workable bargain because they always think they could get a bigger slice out of the national cake by reneging on intra-elite agreements and carving a winning coalition out of their ethno-regional base. In such a country, where a nation-wide elite consensus on the tenets of the social contract has not been reached, it is difficult to expect the conventional tools of democratic elections to lead to sustainable political stability. However, the promising feature of the political economy dynamics in Kenya, is the fact that the constitution has always been at the center of elite competition. Unlike in many natural states, the constitution has not been written off as a mere pile of paper. The national shock that was propagated due to the post-election violence of 2007/08 made Kenyans embrace the constitutional process even more. Hence, as long as the new constitution provides a framework for the enforcement of intra-elite agreements, Kenya could eventually move to equilibrium where its resilient enclaves of maturity overwhelm the risk of fragility emanating from its historical socioeconomic problems.

Notes

[1] See Montalvo and Reynal-Querol (2005) for the full index
[2] See for example Schatzberg (1987) and Kitching (1980)
[3] Goldenberg scandal is a political scandal in which the central bank of Kenya subsidized a non-existent 'export of gold' in the first half of the 1990s, costing the country equivalent of more than 10 percent of its GDP. Top ranking officials in the Moi administration were implicated in the scandal.
[4] Bandiera et al. (2008)
[5] Leys (1975)
[6] Not more than 20 percent of the high value land in Kenya was occupied by white settlers as opposed to more than 50 percent in Zimbabwe (Gordon, 1981)
[7] Colony and Protectorate of Kenya (1955)
[8] Branch (2006)
[9] Himbara (1994)
[10] Nyangira (1987)
[11] Those are the assassinations of (1) Pio Gama Pinto who was a well known journalist and elected member of the House of Representatives (1965), (2) Tom Mboya, who was the Secretary General of KANU and Minister for Economic Planning and Development (1969), and (3) J.M. Kariuki, who was Member of Parliament (1975).
[12] Barkan and Chege (1989)
[13] Mueller (2008), pp. 188
[14] Weekly Review, "Moi suspends land allocations, raises hopes about land reform, Sep 22, 1978
[15] Key informant interview No. 1
[16] NCCK (1992), Republic of Kenya (1999)
[17] Wrong (2009)
[18] Kimenyi and Shughart II(2010)
[19] Ndulu and Mwega (1994)
[20] Mwega and Ndung'u (2004), pp. 9
[21] Weekly Review, "Kenyans have no more soft options", Dec 17, 1982
[22] Arbache and Page (2008)
[23] Pritchett (1998)
[24] The three countries share so much of their colonial history and they also had been members of a single Economic Community until the collapse of the community in 1977.
[25] Barkan (1994)
[26] Mwega and Ndung'u (2004), pp. 34
[27] Weekly Review (Dec 13, 1976)
[28] Leys (1975), Himbara (1994)
[29] Weekly Review, "Banking is still a very profitable business", March 12, 1982
[30] Swainson (1978)
[31] Tamarkin (1978), pp. 300
[32] Harris (1996)
[33] Tamarkin (1978), pp. 298
[34] Branch (2006)
[35] Leys (1975), pp. 65
[36] Tamarkin (1978), pp. 300
[37] Kanyinga (2007), pp. 87
[38] Throup (1987), pp. 51
[39] Weekly Review, "Ngwataniro at crossroads as internal problems surface", December 12, 1977
[40] Ngugi (2003)
[41] Himbara (1994), pp. 472
[42] Swainson (1977), pp. 43
[43] Onoma (2010), pp. 173

[44] Barkan (1994), pp. 10
[45] Orvis (2005), pp. 102, Cheeseman (2006), pp. 16
[46] The ratio of budgetary rent seeking is computed following Katz and Rosenberg (1989). The formula for calculating the ratio is give as

$R_t = \frac{1}{2}\sum_{i=1}^{n} | S(t)_i - S(t-1)_i |$, where S(t)i, S(t-1)i are the proportions of the budget going to purpose i in years t and t-1 respectively, the number n is equal to the number of categories in the budget, and the division by 2 is done to avoid double counting.
[47] "During the 1960s secondary school enrolments increased six fold" (Leys, 1975, pp. 203); "80 percent of children out of primary school do not get employment or places in secondary schools" (Weekly Review, August 18, 1975)
[48] Throup (1987), pp. 52
[49] Barkan (1994), pp.17
[50] Weekly Review, "Who is to blame for luxury imports", March 22, 1976
[51] Weekly Review, "GEMA can do it, why can't KANU?, January 12, 1976
[52] GEMA was actually referred to as the 'Kiambu mafia' in Katumanga and Omosa (2007, pp. 68). Kiambu is the district in Kikuyuland where most of the GEMA leadership hailed from.
[53] Throup (1987), pp. 35
[54] Weekly Review, "Moi has already made impact, December 29, 1978
[55] Ndulu and Mwega (1994), pp. 112;
[56] Weekly Review, "KANU resolves to contain agitation", May 29, 1981
[57] Weekly Review, "Will Odinga now form another party?, May 28, 1982
[58] Weekly Review, "GEMA comes under pressure to wind up, October 3, 1980
[59] Weekly Review, "De-registration move shocks civil servants", July 25, 1980
[60] Barkan (1994), pp. 26
[61] Gibbon (1995), pp. 16
[62] Barkan (1994) pp. 24 & 26
[63] Mutua (2001), pp. 101
[64] Ibid
[65] Chege (1994)
[66] Central province farmers were the main sources of funding for the *Mwakenya* clandestine movement (Ahluwalia, 1993, pp. 505)
[67] Mueller (2008)
[68] Branch and Cheeseman (2008)
[69] Hyden (1994), pp. 92
[70] Kanyinga (2007), pp. 95
[71] Weekly Review, "Who should run for KANU posts? The rich or the poor", October 20, 1978
[72] Republic of Kenya (1965), paragraph 9
[73] Hornsby (1989), pp. 289
[74] Chege (1987), pp. 98 & 99
[75] Republic of Kenya (1968), A report on the present working of the provincial administration
[76] Leys (1975), pp. 99
[77] Himbara (1994); Weekly Review, "Debate over the role of Kenya Asians", November 12, 1982
[78] Langdon (1977), pp. 96
[79] Throup (1987), pp. 62; Weekly Review, "Suits and countersuits: Gecaga takes Lonrho to court", Pctober, 1981
[80] Nellis (1971)
[81] Republic of Kenya (1979), pp. 24
[82] Republic of Kenya (1980), Report of the Civil Service Review Committee 1979-80 (Waruhi Commission), pp. 103
[83] Weekly Review, "Moi supports Ndegwa report", November 24, 1978
[84] Cheeseman (2006), pp. 11
[85] Barkan (1994), pp. 19
[86] Cheeseman (2006), pp. 17

[87] Tamarkin (1978), pp. 315
[88] Cheeseman (2006), pp. 18
[89] Weekly Review, "Favourite sons: Moi campaigns for friends", August 24, 1979
[90] Barkan (1984)
[91] Scott (1972)
[92] Nyangira (1987), pp. 16
[93] Wrong (2009), pp. 49
[94] Ibid
[95] Weekly Review, "Is tribalism in Kenya increasing, waning?", November 21, 1977
[96] Throup (1987), pp. 41
[97] Gibbon (1995), pp. 18
[98] Chege (1994), pp. 56
[99] Swainson (1978), pp. 363
[100] "Kenyatta stood for the interest of the petite-bourgeoisie and the bourgeoisie proper, but when he appeared threatened politically he appealed to the Kikuyu as happened in 1968-69 following the murder of Tom Mboya and the banning of KPU. Oaths were administered in Kenyatta's own district, Kiambu. This oathing was politically motivated and was meant to solidify Kikuyu resistance to the Luo challenge to continued Kikuyu control of state power" Nyangira (1987, pp. 31)
[101] Friedman (2011)
[102] Klopp (2002), pp. 279
[103] Barkan and Chege (1989), pp. 436
[104] Hornsby (1989), pp. 282
[105] Swamy (1994), pp. 9
[106] Scott (1972), pp. 106
[107] Hyden (1987), pp. 127
[108] Republic of Kenya (1966)
[109] Gibbon (1995), pp. 15
[110] Key informant interview No. 3
[111] Onoma (2010), pp. 157
[112] Chege (1987), pp. 107
[113] Leys (1975), pp. 69
[114] Republic of Kenya (2004)
[115] Atieno-Odhiambo (1987), pp. 195
[116] CIA fact book (https://www.cia.gov/library/publications/the-world-factbook/geos/ke.html)
[117] Weekly Review, "Right Climate: Clausen endorses Kenya's economic approach", November 27, 1981
[118] Throup (1987), pp. 71
[119] Chege (1987), pp. 110
[120] Key informant interview No. 2
[121] Klopp (2002), pp. 275
[122] Onoma (2010)
[123]This format was first used by Kang (2004) to analyze different types of corruption with varying levels of influence by the state and businesses
[124] As a matter of measurement, this conceptual indicator could be approximated by dividing the level of influence of the average elite group by the standard deviation between the influence of economic and political elites
[125] Rodrik, 2007
[126] Weekly Review, "GEMA speaks on politics, May 19, 1975)
[127] Ibid
[128] Weekly Review, "Please cool it", November 10, 1975
[129] Throup (1987), pp. 49
[130] Swainson (1977), pp. 42

[131] Weekly Review, "Who is to blame for luxury imports", March 22, 1976

[132] Weekly Review, "Capital gains tax: why it didn't work", May 24, 1976
[133] Leys (1975), pp. 165
[134] Weekly Review, "Strange tales", November 3, 1978
[135] Throup (1987), pp. 49
[136] Barkan and Chege (1989), pp. 436
[137] Weekly Review, "The presidency: populist theme", January 12, 1979

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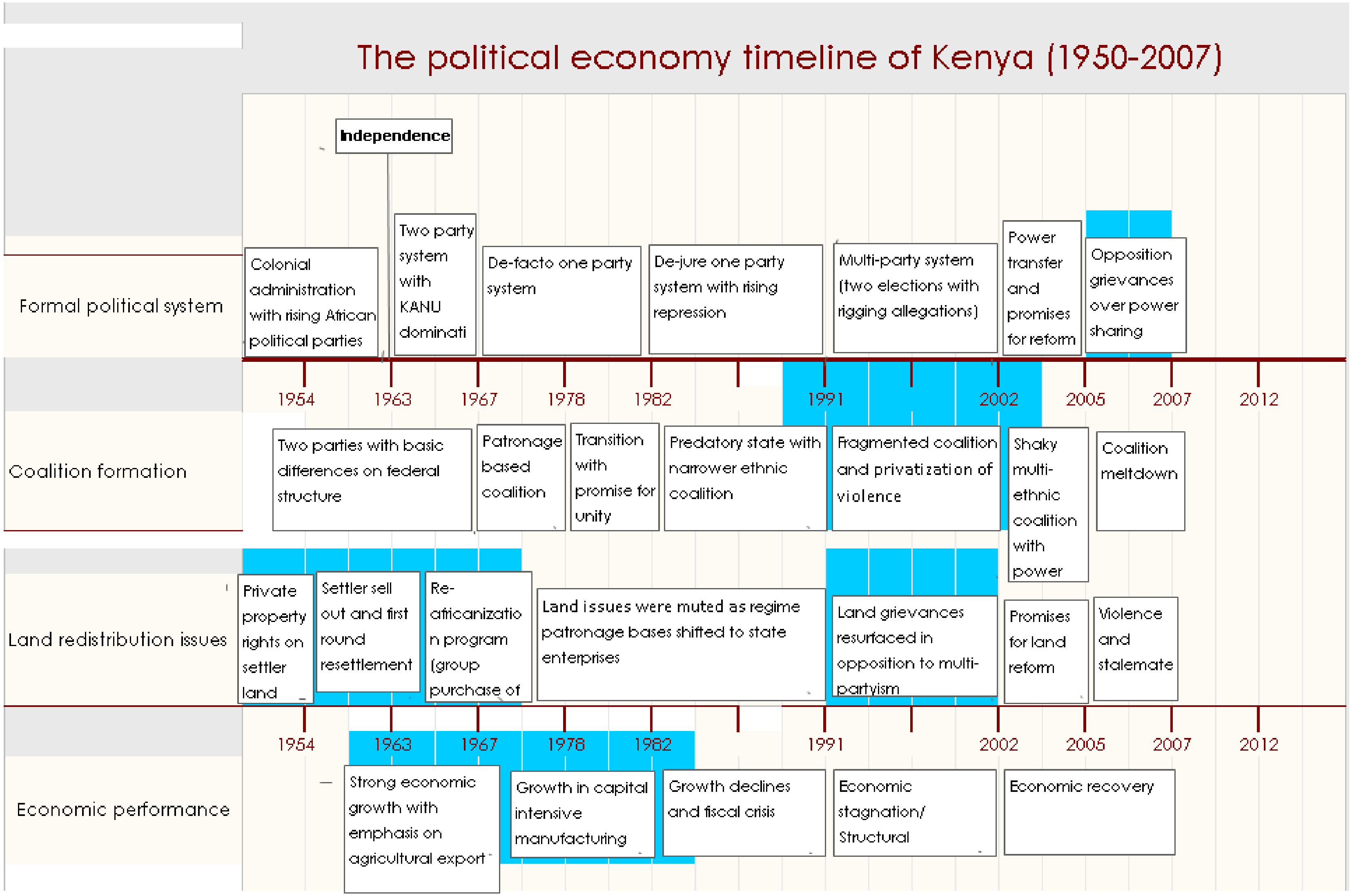
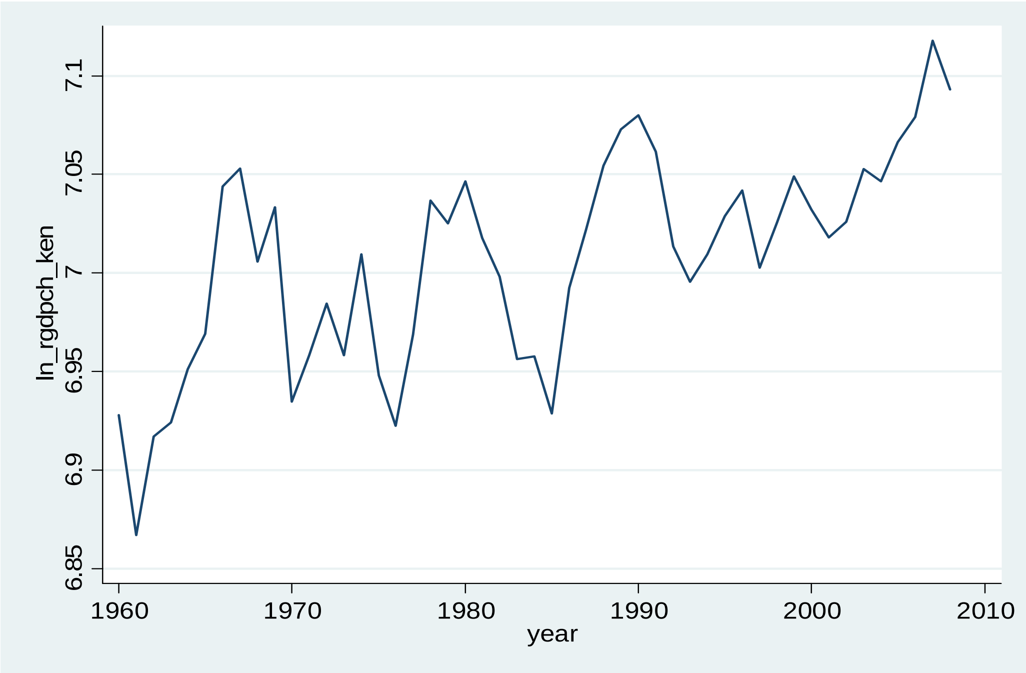
Appendix 1



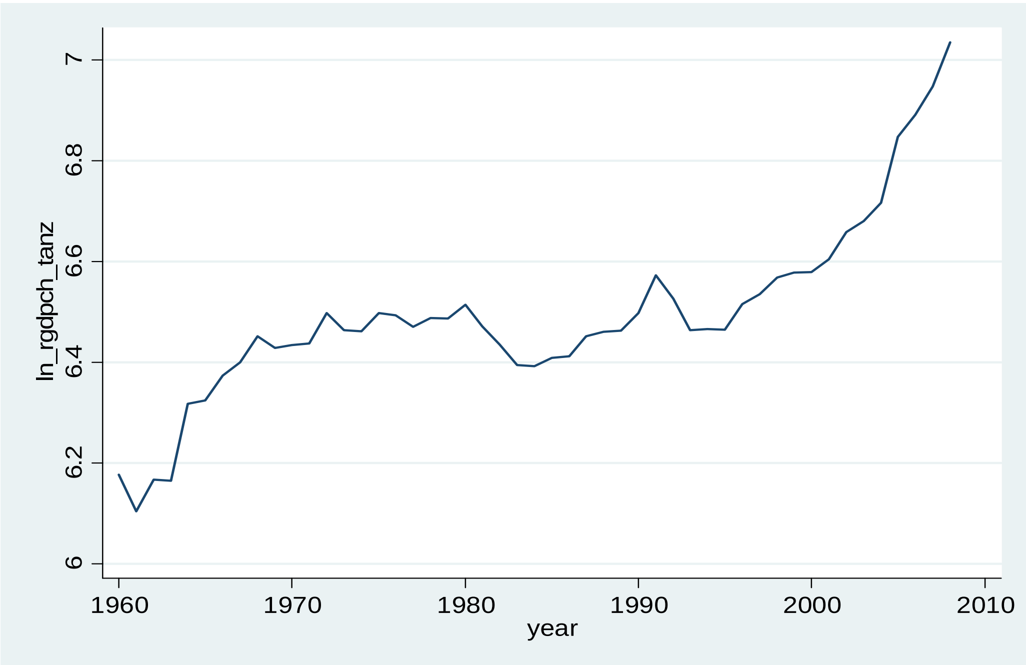
The political economy timeline of Kenya (1950-2007)
Independence
Formal political system
Colonial administration with rising African political parties
Two party system with KANU dominati
De-facto one party system
De-jure one party system with rising repression
Multi-party system (two elections with rigging allegations)
Power transfer and promises for reform
Opposition grievances over power sharing
1954
1963
1967
1978
1982
1991
2002
2005
2007
2012
Coalition formation
Two parties with basic differences on federal structure
Patronage based coalition
Transition with promise for unity
Predatory state with narrower ethnic coalition
Fragmented coalition and privatization of violence
Shaky multi-ethnic coalition with power
Coalition meltdown
Land redistribution issues
Private property rights on settler land
Settler sell out and first round resettlement
Re-africanizatio n program (group purchase of
Land issues were muted as regime patronage bases shifted to state enterprises
Land grievances resurfaced in opposition to multi-partyism
Promises for land reform
Violence and stalemate
1954
1963
1967
1978
1982
1991
2002
2005
2007
2012
Economic performance
Strong economic growth with emphasis on agricultural export
Growth in capital intensive manufacturing
Growth declines and fiscal crisis
Economic stagnation/ Structural
Economic recovery

Appendix 2: Historical fluctuations in output in Kenya and neighboring countries

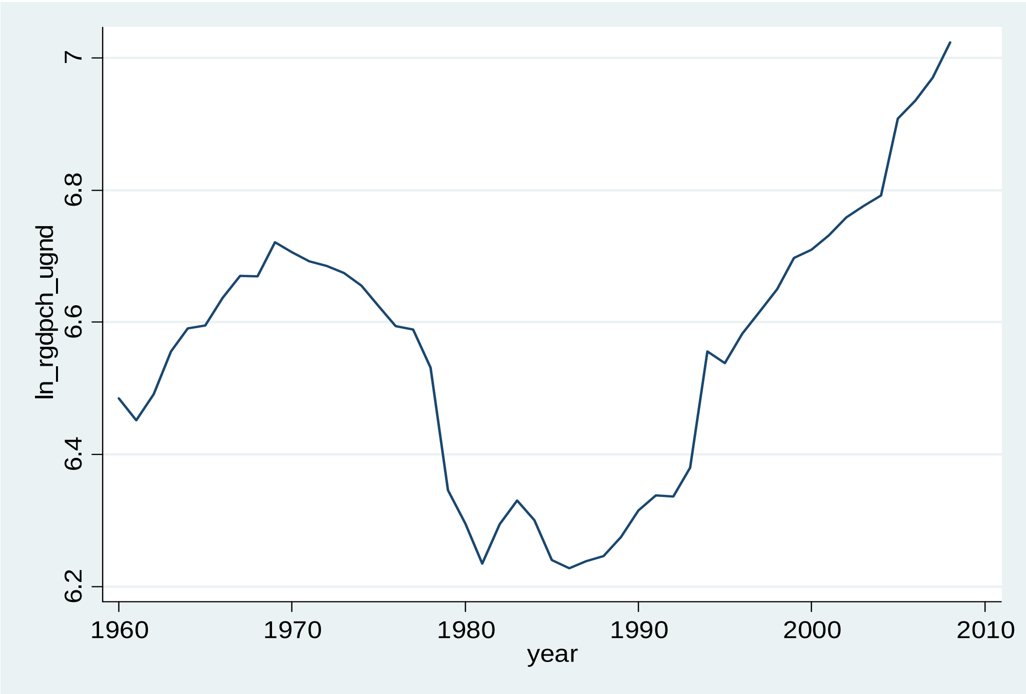
a. Kenya



b. Tanzania

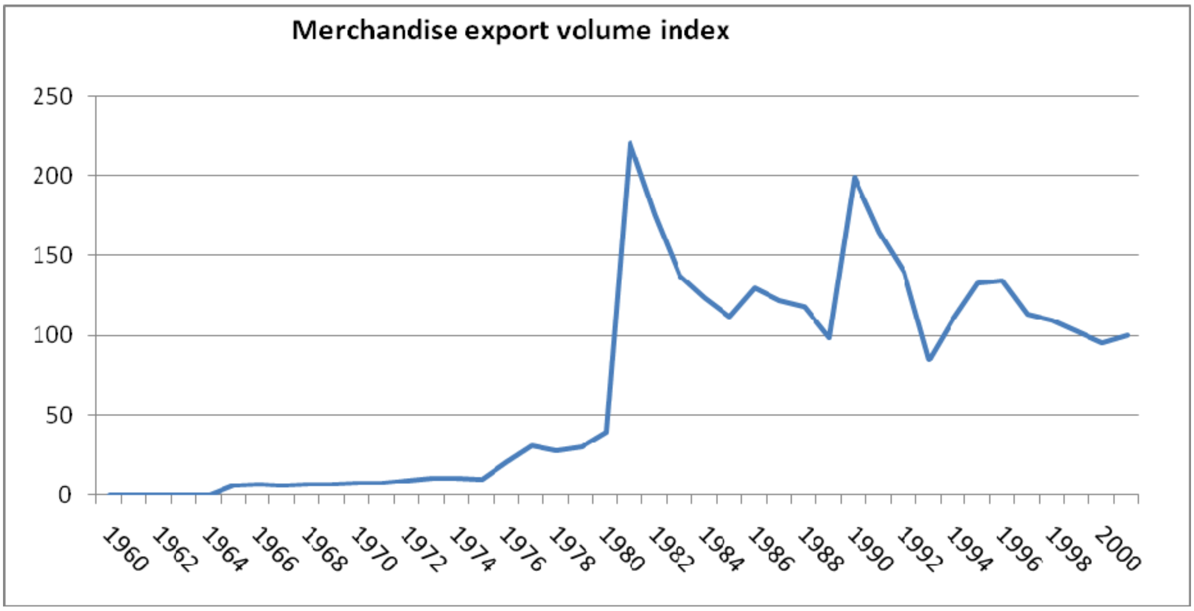


c. Uganda

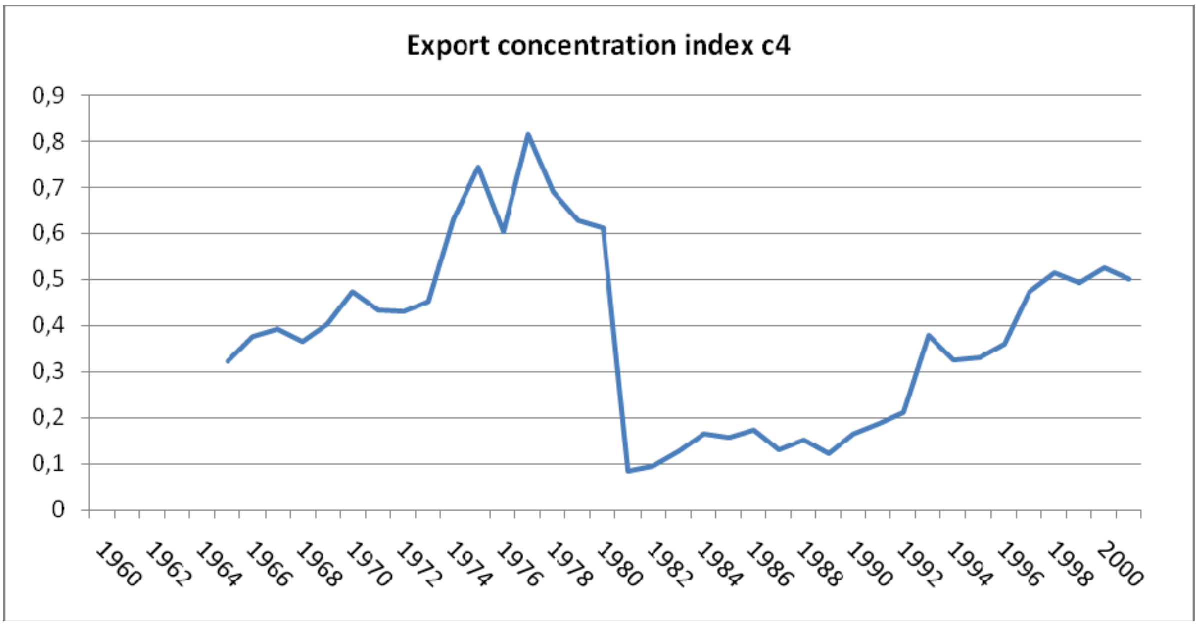


Source: Heston et al. (2011)

Appendix 3: Other export performance indicators



Source: World Development Indicators (2009)



Source: Own computation, data from World Development Indicators (2009)

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