

EMERGING DISCOURSES ON INEQUALITY IN KENYA AND IMPLICATIONS
FOR POLICY AND POLITICS: A PRELIMINARY ACCOUNT

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1. INTRODUCTION

When in 2004 SID produced and launched its premier publication on inequality “Pulling Apart: Facts and Figures on Inequality in Kenya” the objective was to draw attention to the issue and provoke debate. The intention was to draw the discussion away from the predominantly subterranean terrain that it had occupied for so long, to the open public arena where it would be transparently discussed and responses sought.

Persuaded that politics and policy have at various periods in our history attempted to address aspects of this phenomenon, even if in an incidental, oblique and most times camouflaged manner, we took the view that prising the matter open for public discourse was necessary in order to confirm or disconfirm the relevance and importance of this issue. Our premise was nonetheless one of concurrence that it was an issue and as Prof Ryan notes in his think piece: ‘it is necessary to recognize that inequality is an issue even if it is not necessarily a problem... there is need therefore to understand the basis whereby inequality emerges, becomes worse, or is lessened as well as its positive and negative effect’¹

“Pulling Apart” was our tool of choice - a simple collection and collation of secondary data on various *manifestations* of inequality, presented in a manner that was easily comprehensible and demonstrative. We took the view that it was still too premature to delve into questions of causality, dynamics and other technical aspects of the subject especially at a time when there was an ‘issue recognition’ gap.

The response has been overwhelming and there is no doubt that “Pulling Apart” has achieved its objective of openly making inequality the focus of political, policy and, increasingly, scholarly attention. Some comments on the document pointed out the scientific limitations of “Pulling Apart”, which included a failure to provide a theoretical consensus on the type of equality preferred as a necessary precedent to providing ‘empirical measurements of social disparities’. It is also argued that we did not sufficiently honour Karl Popper, Thomas Kuhn or Amartya Sen by, for example, not putting emphasis on the value of method in explaining the causal relationship in social phenomenon.

Whereas this may be true, “Pulling Apart” sought not to explain causal relationship. And the choice of data from the large mass that exists sought to use the broad dichotomisation of inequality into vertical and horizontal inequalities, largely for demonstrative purposes. This is not to say that “Pulling Apart” did not have gaps; it did. However, it had a very minimalist interest one of which was to provoke or re-ignite scholarly interest in the

¹ See Terry Ryan, ‘Thoughts and Notes on Inequality in Kenya’, SID Conference Paper , 2006, p. 1

subject. I believe that this session today is taking place because of "Pulling Apart" - warts and all. And method is and should part of that debate.

The issues I discuss in this paper represent my own synthesis of the discourse that has arisen subsequent to "Pulling Apart". This synthesis is drawn from studies that have been conducted (or are being conducted) and public forums that have been held on the subject. It is neither comprehensive nor conclusive but it provides a flavour of the debate I have heard so far.

2. INEQUALITY IN KENYA: THE INHERENCE AND THE HISTORY OF IT

Before we lurch into the main debate, it is important to mention that inequality, as differences, is natural to humanity. No society can achieve perfect parity. However, differences have to be fair. Thus inequalities can also be engendered. As J.J Rousseau says in defining inequality:

I conceive that there are two kinds of inequality among the human species; one which I call natural or physical, because it is established by nature, and consists in a difference of age, health, bodily strength, and the qualities of mind, or the soul; and another, which may be called moral or political inequality, because it depends on a kind of convention, and an established, or at least authorized by the consent of men. This latter consists of the different privileges, which some enjoy to the prejudice of others; such as that of being rich, more honoured, more powerful or even in a position of exact obedience.

In the realms of policy and politics in Kenya, inequality predates independence. Kenya's history as a colonial territory is littered with inequality and injustice between races and ethnic groups that have had to be sometimes confronted violently. Indeed it has been pointed out that the Mau Mau war broke out at a time of great inequalities between the various races - it may not have been the singular explanation for it but it nonetheless contributed immensely to conceptualisation of the premises of the struggle.

Indeed, the legacy of unequal development of the colonial regime was so strong - both in a macro (between Whites, Asians and Blacks) and micro (between African themselves) manner - that the negotiations of the Lancaster constitution and Sessional Paper No. 10 of 1965 on *African Socialism and its Application to Kenya* had to take notice. This was probably the first - and probably the only one so far - where the leading social groups in Kenya sought to negotiate a Rawlsian 'minimum bundle of goods' for the country.

Sessional Paper No. 10 identified the objectives of society to 'typically include political equality, social justice...equal opportunities and high and growing per capita incomes, equally distributed' pp 1-2. It remained conscious of the importance of the state in the pursuit of these objectives and took note of the danger of hijacking the state by economic

special interest groups. It stated that 'no individual or group will be permitted to exert under influence on the policies of the state and that the state has an obligation to ensure equal opportunities to all citizens, eliminate exploitation and discrimination, provide needed social services such as education, medical care and social security' pp 3-10

Of course, these were robust pronouncements and as to whether they were honoured or not has emerged as one of the discourse areas of inequality in Kenya today. The question is: did Sessional Paper No. 10 form the post independence basis for inequality given its decision to invest more resources in places with abundant rainfall and where 'people more receptive to development' resided? The paragraph (133) notoriously quoted to support this view reads:

One of our problems is to decide how much priority we should give in investing in less developed provinces. To make the economy grow as a whole as fast as possible, development money should be invested where it will yield the largest increase in output. This approach will clearly favour the development of areas having abundant natural resources, good land and rainfall, transport and power facilities, and people receptive to and active in development'

2.1 Inequality in Kenya: The Four Phases of the Debate

Over time, the country inequality discourses have gone through four, even if not too indistinctly, phases. The first was the Ideological/Policy Contest Phase which run between 1964- 1966. This phase was characterised by the struggle of whether Kenya should adopt a socialist or mixed economy paradigm, and the dilemma of how to deal with the dualistic nature of the economy that the colonial government had left behind. The 'resolution' came in the form of Sessional Paper No. 10 of 1965 on *African Socialism and its Application to Planning In Kenya* where the country chose a mixed economy path with a strong capitalist bend, and, largely failed to deconstruct the colonial logic of development thus laid basis for inequality by advocating a discriminatory policy in investment of government resources (see para. 133 cited above). The political casualty of this debate in this phase was Jaramogi Oginga Odinga.

The second phase was what one can call the 'Assessment Phase' which covered the period 1968 - 1978. This phase was one of 'initial audit' and debate of what the impact trends of the post-independence policy options were. The NCKK published the influential 'Who Owns Industry in Kenya' Report in 1968 that exposed the racial, foreign and political- elite dominance of the Kenyan economy despite the much touted 'Africanisation of the economy' policy. In 1972, ILO released its Report on *Employment, Income and Inequality* which concluded that:

Since independence, economic growth has largely continued on the lines set by the earlier colonial structure. Kenyanisation has radically changed the racial composition of the group of people in the centre of power and many of its policies, but has had only limited effect

on the mechanisms which maintain its dominance - the pattern of government income and expenditure, the freedom of foreign firms to locate their offices in Nairobi, and the narrow stratum of expenditure by a high-income elite superimposed on a base of limited mass consumption p. 11.

It also identified 'regional imbalances as a second major problem much more so because it was intertwined with tribalism and rural urban migration. It contained a raft of recommendations such as: that public expenditure be restructured in favour of the poor sections of the population in urban and rural areas, including the least developed regions in the country; the establishment of quotas for expenditures per head in different parts of the country; quotas on vital services such as education, health, roads; development affirmative action; and a quota system for education, recruitment into civil service and on government expenditures.

The other landmark events in this phase were the publication in 1974 of the First *Urban Household Budget Survey* which showed that inequalities were rising comparable to Latin America, as well as the 1975 - 78 '*The Kenya Debate*' at the University of Nairobi on the process of capital accumulation in Kenya and the relationship between the political elite and foreign multinationals in this process. The political casualty of this debate in this phase was J.M. Kariuki.

The third phase was the 'Intervention Phase' that run from 1983 - 1998. Through administrative and statutory measures, the new regime sought to address the problem of uneven or unbalanced development. The District Focus for Rural Development Strategy (DFRDS) was the first administrative mechanism introduced as a redistributive strategy which, it is now clear, was inspired by the ILO Report 10 years earlier. Later on, in the mid and late 90s, statutory responses such as the Local Authority Transfer Fund (LATF-LASDAP) and the Constituency Development Fund (CDF) were initiated.

The fourth phase is the Constitutional/Political Phase, 1997 - 2005 which was marked by the highly controversial and divisive devolution debate during the Constitutional Review Process. It was the first time in post independence Kenya that inequality was clearly problematised as a constitutional issue even though the debate did not bear the label of inequality.

3. DISCOURSES

The First Discourse: The discourse of what is it?

This has emerged as a strong discourse point in two ways. First, is one of concept, the other is of scope. One of the important questions that is being asked is 'Equality of What' -

to echo A. Sen in his famous 1978 lecture. Because the reintroduction of inequality debate in the public realm has focussed more on outcomes - because outcomes are more manifest and recognisable - attention is being drawn to the fact that it is more important to focus on inequality of opportunities. It has been argued that to focus on outcomes per se would ignore the fundamental dynamics that underlies these outcomes. Outcomes cannot always be the same even if, hypothetically, people are given the same opportunities. This is not an idle debate because it will help establish whether the issue to which we are seeking redress is 'equality' or 'equity'. The focus on opportunities is a focus of 'equity'. And equity is defined in two basic principles. First equal opportunity where a person's life achievements should be determined primarily by his/her potential and efforts rather than by predetermined circumstances (Dworkin) such as race, tribe, social and family background. Second is the principle of avoidance of deprivation in outcomes, particularly in health, education and consumption levels. (World Development Report, 2006)

Whereas a focus on opportunities is important, the question nonetheless remains: to what extent should manifestations direct intervention? For example, does high illiteracy rate or high infant mortality rates - as observable phenomena - be determinants of public policy intervention? Is allocation of Constituency Development Funds (CDF) calculated as is presently, on the basis of differential poverty incidence levels, faulty *a priori*?

Whereas the equity principle gives emphasis on natural talents, it has been pointed out that a child's cognitive abilities are influenced greatly by nutrition and environment such as social status. The WDR, 2006 demonstrates that caste system consciousness affects exam performance. This begs the question as to what constitutes 'natural talents' or whether it is not possible to determine, through other exogenous factors, how 'natural' talents can be. Can 'natural talents' be politically constructed on the basis of opportunities that are provided discriminatorily?

The second dimension of the first discourse has to do with scope. As was clearly demonstrated in 'Pulling Apart', inequality is multi-dimensional - it is both horizontal and vertical. Whereas addressing both vertical and horizontal inequalities is not impossible, it is nonetheless difficult especially in a county with a relative small resource base and a weak institutional infrastructure. Concomitant approaches to addressing inequalities can overwhelm the resource, political and institutional outlay of a young democracy. However, not addressing it may also provoke social agitation and unrest which may also undermine these very institutions.

This second dimension invites attention to issue of income inequalities which also overlaps with other dimensions of gender and geography, especially within the context of the rural-urban etc. Then there are intra-sectoral inequality issues with regard to wage differentials

within the civil service, for example. Others include inequalities that manifest themselves in the education sector between private and public schools and how these impair the opportunities, dishonour the equity principle, and provide constitutional challenges. The argument for the allocation of quotas for pupils from public schools in the national schools has triggered questions as to whether it is not discriminatory and unconstitutional just like the Africanisation policy of the 1960s that was successfully challenged in court and declared unconstitutional.

The horizontal dimensions of inequalities seem to be straightforward but again not entirely so. Given their strong ethnic undertones, to successfully address these inequalities requires a certain admission of guilt or liability on the extreme, or a willingness to help others. However, this has to be based on some principles of reciprocity negotiated by the political and social groups.

In my view, the reason why inequality in Kenya attracts so much emotion has less to do with income inequalities but more to do with horizontal or regional inequality. There is a feeling, perception, and some instances facts that the centralisation of power has tended to reward or punish regions and groups depending on their proximity to power and that the manifestations of inequality that we observe are a product of institutional capture by the elite.

The Second Discourse: Does it matter?

Whereas this discourse is mostly conceived and conducted within the context of inequality, poverty and growth, it is important that it also embraces the horizontal dimensions of inequality. In other words, in answering the question of whether income inequality matters, we need not lose sight of the group/regional dynamics of the subject, especially within the Kenyan context.

Whereas there has been a long standing scholarly debate as to whether inequality is good bad for growth, increasingly, evidence and consensus is pointing to the fact that, for a developing country such as Kenya, inequality may be bad for growth. The WDR,06 has concluded that, 'beyond its instruct desirability, there is a link between equity and development as a broad sharing of economic and political opportunities is instrumental for growth. In developing counties such as Kenya where there is market failure in credit, insurance, land, human capital etc, resources do not necessarily flow to areas with the highest return (talented children access to education may be determined by class not merit). Market imperfections distort wealth and power which in turn affects the allocation of investment opportunities'.

The Brooklyn Institute, in its Warwick Conference of 2003 on 'Why Inequality Matters', stated that if you estimate equations where subjective well being is the dependent variable, control for many kinds of demographic and personal factors, also control for so called year effects and state effects, then you find that when a state becomes more unequal its average happiness level drops.

If it does matter, then how do you address it? The discourse here is to establish a principle and theoretical framework for dealing with it. It is a framework that must not offend basic libertarian constitutional principles but one which also the question as to why we are nation and what obligations do we owe one another. It is clearly a delicate discourse.

The Third Discourse: The Causality Discourse

This is one of the most emotive discourses only comparable to the response or intervention discourse. Who or what is responsible for the uneven development pattern that we see in the country? The contours of this discourse move along two schools: one, the 'naturalist school' who attribute what we see to human nature, self motivation and incentives and culture. The other moves along the 'institutional school' that avers that state and policy have had a significant role in the differences we see. This is the Rosseauan 'politically-constructed' differences.

The institutionalists argue that institutions, as North pointed out in 1994, are rules of the game and that they are critical in determining economic performance. It is a point that Prof Kabiru Kinyanjui confirmed in his empirical analysis of educational opportunities in Kenya in 1974². The World Development Report, 2006 (WDR) stated that the high levels of economic and political inequality tend to lead to economic institutions and social arrangements that systematically favour the interests of the more influential. Such inequitable institutions can generate economic costs. Thus when property and personal markets are selectively enforced, when the budget allocations benefit mainly the politically influential, and when the distribution of public services favours the wealthy, both middle and poorer groups end up with unexploited talents. As Prof Michael Chege notes, 'inequality in Kenya has multiple causes such as raiding the public purse by custodians of state funds, political cronyism, bureaucratic corruption, legal exploitation of market opportunities..' - which fits with the institutionalists school - ',... uneven community-based investment in education, distribution in risk averse behaviour, natural resources, endowment and individual initiative' which are predicated on the naturalist school. It is therefore necessary at the outset to isolate causal factors, which ought to be dealt with through good governance and strict application of the law as opposed to reforms in politics

² Kabiru Kinyanjui, 'The Distribution of Educational Resources and Opportunities in Kenya', IDS Discussion Paper N 208, 1974.

governing production and distribution of the GDP, in addition to opportunities in political office³.

The counter argument to those that place high premium on institutions is that it wrongly conflates elite interests with community interests. And that even if public expenditure were employed in a skewed fashion, as Raphael Kaplinsky and Jane Kiringai demonstrate, it only account for less than 25% of GDP. A lot of wealth is in the private sector. However, what this counter arguments do not contend with is the impact of the 25% in determining and directing private sector investment behavior.

The Fourth Discourse: The Measurement Discourse

First, it has been noted, and not without justification, that, in order to understand the full dynamics, and therefore prescribe interventions to inequality in Kenya, one needs to undertake a trends analysis. However, the absence of panelled data makes this difficult thus risking conclusions and interventions being made on unreliable or insufficient spot data.

Second, the limits of Gini Coefficient, which may be understating the phenomenon. It has been pointed out that one of the disadvantages of Gini is that it does not satisfy the 'diminishing principle', which states that inequality among the rich is less important than inequality among the poor. Further, the use of income indicators may also be understating the phenomenon. Assets based measurements may be more accurate but the data is hard to obtain. Thus policy response may not succeed in having the desired effect.

The Fifth Discourse: The Dilemmas of Intervention

Because of 'issue recognition' problem; causality disagreements; multidimensionality of the issue, one of the most difficult discourses on inequality is how to intervene. For the growth school, inequality is not an issue and Darwinist forces should be left to play in society which will find its own equilibrium. The other dimension in this discourse is whether responses should be group (regional based) or individual based. In this respect it has been pointed out - and rightly so - that policy responses to inequality will vary widely depending on whether the unit of analysis used to determine the degree of inequality is class of *individual* income, or *regional* averages. Using per capita incomes, number of poor, or poverty rates yield different policy responses as the ranking priority changes significantly.

³ M. Chege, 'Beyond Pulling Apart and the Figures: The Socio-Economic and Political Context of Inequality In Kenya', SID Discussion Paper, 2007 (forthcoming).

Further, the institutional determinist argument has generated its own discourse with respect to intervention: that is, what is the right institutional and constitutional architecture necessary to do two things: one, correct historical wrongs, and two, forestall a repeat. The former needs considerable political will to implement as it also takes place within the context of a historical justice framework. The latter has generated proposals for decentralisation, both in an institutional and fiscal sense. The only problem is that evidence suggests that decentralisation, as seductive as it may be to the disadvantaged, usually tend to exacerbate rather than cure inequalities. As Kabiru Kinyanjui showed way back in 1974 when he argued, on the basis of evidence, that one of the reasons for the imbalance in the education system was the establishment of the Local Native Councils mandated to tax and finance education which favoured the rich and prosperous regions whose resource base could comfortably support this scheme.

CONCLUSION: THE POLITICAL AND POLICY CHALLENGES FOR THE FUTURE

a. What is the theoretical premise of intervention?

Before policy intervenes, it needs to clarify why it needs to do so - the premises, whether moral, political, economic need to be articulated. It is suggested that the debate on inequality needs to focus on rules and a need for a consensus on distributive justice⁴.

It is about equality of opportunities in health, education, employment, ownership of productive assets in the household etc. We need to determine what is the Kenyan minimum bundle of goods and how to finance it. This requires political negotiation.

b. The Constitutional and Institutional Character of intervention

Politically, equity is being elevated to the same levels as corruption or tribalism. There is a historical injustice thread to it and equity, of the horizontal-regional type, may become the next big 'political football' with all its attendant risks. But insulated from its reflexive attack and defence tendencies, politicising horizontal-regional equity may be a great opportunity to help clarify the terms of the social contract and relieve it of its historical and contemporary stress.

⁴ In summarising this argument, Michael Chege (op cit) has noted: *First principle of distributive justice states that human beings in any society ought to have the same initial expectations of "basic goods", the bundle of material goods necessary to sustain a decent life. The size of the bundle of "primary social goods" to which all are entitled is subject to political negotiation. "Justice as fairness" essentially a distributive formula based on human reciprocity where the materially privileged guarantee the worst off against falling below a welfare threshold that they (the better off) would not like to be under should they, for whatever reason, fall into economic misfortune. But the formula is subject to two principles. Firstly, the citizens are guaranteed all political rights and liberties, and under no circumstances should any of these be sacrificed to the altar of welfare equality. Rawl's second condition under "justice as fairness" is the "difference principle". It states that income inequalities that favour the most economically privileged sections of society are justified only as long as they serve to raise the material conditions of the poorest members of the community—in absolute, not relative terms.*

On the whole, the point to make is that income and wealth inequality of a certain magnitude is good for profit and concentration of capital. However, it may be bad for broad legitimacy. In this sense elites are only likely to initiate and support measures that lower inequality only when their legitimacy is threatened. As the *Economist* of June 17th says: 'Even in a country (USA) that tolerates inequality, political consequences follow when the rising tide raises too few boats'. In Kenya, I suspect that this may be true of horizontal inequalities but not vertical inequalities - just yet. Class-based politics is still too overwhelmed by identity politics.

Decentralisation/devolution has been identified as a possible scheme that can be used to address some aspects of regional inequalities. But in Kenya, just like in other parts of the world, the political circumstances and context matters - both in terms of whether we should/shall have it, and, whether it will work even if we have it. As Barkan and Chege⁵, in their study of the District Focus observed: decentralisation cannot occur until it is supported by the highest political authority. And the degree and type of decentralisation appropriate for a regime varies with the amount of resources controlled by the ethno-regional base on which it rests, but this relationship is not linear. Where a regime's base consists of 'haves', their interests are best served by either total centralisation or maximum devolution; in other words, a unitary state or a confederation.

c. The international trade dimensions

Kenya is increasingly becoming a net importer of food. This may drive down producer prices with devastating effect to incomes in the rural areas. How do we hedge? Secondly, international commodity prices of certain cash crops translate into better incomes for the local producers, and in situations where these crops are only from specific regions, the income differentials in rural Kenya is bound to rise. Should policy care?

d. Macro economic policy challenges

A deficit financing strategy, which sometimes may be initiated to raise resources to respond to demands for more equity, may have an 'unequalizing' that crowds out the poor. It may lead to higher interest rates, high inflation and stimulate demands for high wage rates which may not necessarily translate into higher incomes, in real terms, for the workers.

⁵ Joel Bakan and Michael Chege, 'Decentralising the State: District Focus and the Politics of Reallocation in Kenya', in *Journal of Modern African Studies*, Vol. 27, No 3, September 1989, pp. 401 - 431.

- e. Incentivising private sector to invest in poor or marginalised areas in order to help respond to regional inequalities.
- f. The limits of education as an equalizer of opportunities and the effect of commodification of education within the context of inherited poverty levels. There is a strong link between where educated and employment opportunities as was again demonstrated by the Kabiru Kinyanjui study. The study showed that going to certain schools, especially national ones, predispose one more favourably to opportunities than second or third tier schools even if the students had the same grades.
- g. There is the problem or challenge of sequencing - dealing with vertical and horizontal inequality at the same time may overwhelm the institutional structure of society.

It is emerging that inequality is not inherently wrong as long as three conditions are met: one, society as a whole is getting richer; there is safety net for the poor; and everybody regardless of class, tribe, race or creed has an equal opportunity to climb up the system.

Inequality is a difficult, emotive, and controversial subject. It is highly political and, is one of those areas in data and evidence-gathering, that empiricism is heavily contested even by experts, sometimes purely on extraneous and spurious grounds. It lends itself easily to extreme tendencies: on the one hand, 'self-denial intellectual sophistry' and on the other, 'self promoting political demagoguery'. In other words, controversy and disagreement is in the DNA of the subject.

This is not to be unexpected for a number of reasons. One, causality and its direction is sometimes hard to determine and prove in the complexity of social human interactions. Society wide phenomena do not necessarily lend themselves easily to linear and direct explanations. Two, real or perceived culpability by political and policy actors in generating inequalities - whether by design or default - invites reflexive resistance, driven in large part, by the fear that the objective is to assign guilt and its possible attendant consequences. Three, conclusive inequality discourse has resource re-allocations implications that may attack or confer privileges.

The challenge facing the country is deal with the issue and its controversies without falling into any of the two extremes.