Revisiting the consensus on Kenyan economic growth, 1964-95

Morten Jerven*

* Assistant Professor, School for International Studies, Simon Fraser University, Vancouver, BC, Canada

Online publication date: 22 February 2011
Revisiting the consensus on Kenyan economic growth, 1964–95

Morten Jerven*

Assistant Professor, School for International Studies, Simon Fraser University, Suite, 7200-515, West Hastings Street, Vancouver, BC V6B 5K3, Canada

(Received 16 March 2010; final version received 30 November 2010)

For a long time Kenya was the African exception—a country that embraced a capitalist path to development in the midst of widespread state-led development. More recently it has been used as one of many examples of neopatrimonial rule in Africa, following its reputation for endemic corruption and its failure to successfully embrace economic and political reforms. Most interpretations of Kenya’s economic development record rest heavily on the evidence of growth. This article revisits that evidence, and the associated causal claims, and finds little support for the consensus view. In the 1960s and 1970s there was nothing exceptional about economic growth in Kenya, while in the 1980s and 1990s Kenya performed relatively well if external conditions are taken into consideration. Finally, the article questions whether this finding should compel scholars to re-evaluate the relative merits of the Kenyatta and Moi regimes.

Keywords: Kenya; economic growth; development; statistics; capitalism; neopatrimonialism

What is the role of Kenya in development theory today? How should we judge its economic performance in the post-colonial period? For a long time, Kenya figured prominently as the promising example of African capitalist development. The “Kenya Debate” centred on the viability of capitalist development in post-colonial Africa. The crucial question was whether the indigenous capitalist class was essentially “comprador” (i.e. dominated by foreign capital and not progressive) or not. From the 1980s onward, Kenya has been more frequently thought of as a prime example of the neopatrimonial state; consequently, the relative optimism regarding Kenya’s promise has gradually faded. This article looks at Kenya’s growth record and evaluates the robustness of the causal claims made in the economic growth literature. It focuses on how Kenya has been projected as an illustrative example in the development literature and investigates whether the associations made between different political economy arrangements and policy typologies with its economic growth record are plausible.

A central aspect in the early literature, dominated as it was by dependency scholars, was on the relative merits of capitalism and socialism. Kenya figured widely as a representative case of African capitalism. This debate has subsided and changed somewhat as regimes have converged in terms of performance and policies with the onset of economic decline and the subsequent Structural Adjustment. Though

*Email: Mjerven@sfu.ca
guided by certain historiographical questions, this literature is still instructive and its questions still relevant. While the “left” in the scholarship focused on the general feasibility of development in the post-colonial periphery, the “right” focused on state interventions in the marketplace and its consequences (with a negative emphasis) for economic growth. Initially set up as a crude opposition of urban vs. rural areas, with urban interests dominating economic policy, Bates provided the seminal explanation for the political origins of agricultural production shortfall in Africa. Kenya was at the heart of the further sophistication of this argument, and provided “reason to reject the implicit opposition of town versus country”. Proof was found of “Kenya[n] exceptionalism … marked by its commitment to economic growth, particularly in export agriculture.” The influence of this literature increased as most African economies experienced decline. The arguments made in this literature have been linked with explanations of that economic decline, though its strength really lies in explaining the choice of particular policies in particular countries. Bates asserted that in Kenyatta’s Kenya “political elites invested in rural assets” (specifically coffee), while in most other African countries, “they did not”. This distinction, Bates argued, determined whether the agricultural sector would be a priority in the country. This article will consider the extent of this distinction as it is reflected in the aggregate growth pattern.

How important is the growth evidence in these debates? Barkan compared development and policy in Kenya with that of Tanzania and described as “virtually pure examples of the two most significant models of development”: patron–client capitalism and one-party socialism respectively. One of the lessons suggested from the comparison was that “slower rates of progress” would “accrue to countries pursuing socialist, as opposed to capitalist, development objectives”. In 1994, a follow-up study was undertaken which recognised that since 1979, stagnation and structural adjustment had resulted in a convergence of economic policy. While it was acknowledged that the downturn in economic performance could partly be explained by external factors, the principal cause of decline in Tanzania was deemed to be “excessive state intervention”. It was reasoned further that

The results were predictable. From 1965 through 1980, Tanzania’s overall annual rate of economic growth, as well as the annual rates of growth in agriculture and manufacturing, were roughly half those of Kenya. Though Kenya established its own parastatal enterprises in pursuit of import substitution, these state-owned industries never dominated the country’s manufacturing sector as in Tanzania.

Juxtapose this with claims made in a World Bank Study by Ndulu and Mutalemwa. It was argued that growth in Tanzania “slowed down from 6.2 percent in the years preceding the Arusha Declaration to 5 percent in the 10 years following it”. The authors then made a comparison with Kenya, “which maintained market-based policies throughout” and continued to grow at 7.1 percent during 1968–77 “with no apparent change compared with the previous period”. This argumentation is typical of the literature on economic growth in Africa. It makes use of implicit control group experiments without concern for economic structural differences. More importantly it makes an automatic assumption of causation between averaged aggregate economic growth and policy. To counter the argument one could first observe that both Barkan and Ndulu and Mutalemwa cannot be right concerning the factual rate of growth. Then one could question the
statistical relevance of the comparison. Making use of the error margins in estimates of economic growth, one could question first whether the change from 6.2 to 5% growth within a decade of averaged growth really is meaningful, and second whether a difference between Kenya and Tanzania of 5 and 7.1% truly should induce firm conclusions.

In an authoritative synthesis of the economic growth literature, focused on explaining differences in average growth in the post-colonial period, Collier and Gunning noted Kenya among the exceptions (together with Cote d’Ivoire and Malawi) that maintained pro-market and pro-agricultural economic policies throughout the post-colonial period. It has been recognised that one weakness of the aggregate growth literature has been its focus on the average growth rate in the post-colonial period. Addressing this weakness, Ndulu et al. explicitly seek to complement the growth literature with case studies of episodic growth. While the first volume reviews and refines the different approaches and findings of the aggregate literature, the second volume complements the existing growth literature with a range of case studies, including one study of Kenya by Mwega and Ndung’u. Four growth episodes are identified: rapid growth 1960–74, poor performance 1975–84, slight recovery 1985–89, and a slow-down in growth in the 1990s. These growth episodes are related to the political economy and, in particular, the change between the Kenyatta and Moi era.

This section began by examining the role of Kenya in development theory today and how we should judge its economic performance in the post-colonial period. It has been established that Kenya actively figures as an example of the capitalist path of development under Kenyatta. Under Moi, Kenya became an example of rent-seeking activity and neopatrimonialism. We will return to these issues, but before doing so, it is necessary that we establish what the growth evidence – given its central role in the development debate – says about Kenya’s development trajectory.

**Kenya’s growth evidence**

In 1980 Blades, on behalf of the OECD, conducted a study of national accounting practices. One of the countries under study was Kenya. Blades gave a general warning regarding all growth rates derived from national accounts in African economies: “it seems unlikely that in developing countries GDP real growth rates have errors of less than 3 percent attached to them. An estimated year-to-year increase of 3 per cent may mean anything from no growth at all to an increase of 6 per cent.” If this expert advice is taken seriously, the comparisons and causal inferences referred to above are meaningless. However, cautions about the quality of the growth evidence are seldom taken seriously; they are, at best given footnote treatment. A notable exception in the literature on Kenya is Bigsten, who cautioned that “the data problems are notorious”, yet failed to suggest a direction of bias or size of error. Jerven has highlighted large inaccuracies in both income level and growth estimates, but as of yet there has been no detailed country level study of these issues. This article mends this gap in the literature and offers an evaluation of the Kenyan growth evidence.

In 1977 the Kenya Central Bureau of Statistics (CBS) published *Sources and Methods used for the National Accounts of Kenya*. This book provides rich material for the present study. At the Central Bureau of Statistics in Nairobi in 2007, I was assured that this publication contains “everything you need to know” about national...
accounting in post-colonial Kenya.\textsuperscript{23} In other African economies the statistical office regularly publishes national accounting reports with detailed descriptions of methods alongside the estimates. In Kenya the estimates are published without detailed comment in the annual statistical abstract and economic survey. Thus, the following discussion is based primarily on this book, while Economic Surveys and Statistical Abstracts supplement additional information.

The first official estimates of the domestic income and product of Kenya were prepared in 1947. The main sources of information were the annual census of employment, some data on agricultural output, and the accounts of government and other public organisations. “The quality of the estimates was seriously undermined by the lack of information on income from rents, interest, profits and self-employment and by the limited data on the output of the manufacturing and service sectors.” The estimates did not cover any of the “non-monetary” economy except for a “weak estimate” of “subsistence” production in agriculture.\textsuperscript{24} There was no change in the use of methodology or sources in the following decade.

The first major revision in the estimation of national accounts came in 1954. Because of the availability of better basic data, the quality of this series was considered improved. Nevertheless, the gross output figures for agriculture and quarrying, and the information on the ownership and distribution of dwellings were still weak. Efforts to include activities from the non-monetary economy were expanded, but the results for forestry, hunting and fishing were incomplete and unreliable. This new series also provided the first estimate of capital formation. According to a published report on the methods and sources, this methodology remained essentially unchanged through the years 1954–66.\textsuperscript{25}

A second major revision occurred in 1967. It also made use of additional data and attempted a more comprehensive coverage of the non-monetary sector. Estimates were made for building and construction, water collection and ownership of dwellings. “However, such estimates, too, were weak being based on limited data and, in some cases, on questionable assumptions.”\textsuperscript{26} Until 1969, no estimates were prepared at constant prices. The first constant price series, covering the years 1946–54, was based in 1964 prices. The third series (the second covering 1954–66) was continued until 1974 when a third major revision was undertaken. As mentioned, no report on methods was ever published for the 1964–74 series. The fourth series was introduced in 1976 but backdated to 1972, which was also the base year for the estimates in constant prices.

The \textit{Economic Survey} 1967 gives some details concerning the second major revision. It was revised because, since 1954, there had “been a significant increase in the availability of economic data with which to assess the size and structure of different industries”.\textsuperscript{27} It sensibly says that “[s]ome of these data have been used to improve the bases of the existing estimates of domestic product, but if the new data had continuously been incorporated into the annual calculations, comparability would have been lost between one year’s statistics and the next and rates of growth would as a result have become meaningless”.\textsuperscript{28} The survey further promised that “a detailed description of the methods used in the new calculations together with subsidiary industry tables will be published as a separate document”.\textsuperscript{29} However, no such document was ever published.

The methods employed in the fourth revision are described in the \textit{Methods and Sources}, published in 1977. The last completed revision entailed a rebasing of the constant growth series to 1982 prices. A rebasing of the constant price series was in
progress when I visited the Central Bureau of Statistics in Nairobi 2007. Sources and Methods includes a table depicting the reliability of the estimate levels per sector. The estimates vary extensively, from being considered $+/-40\%$ accurate for the traditional economy and $+/-10\%$ for agriculture and manufacture, while the private service sector estimates are considered far less reliable ($+/-20\%$) than public services ($+/-5\%$).

The source material gives few clues as to how these 1977 procedures differed from the earlier methods, or whether the surveys were continued or discontinued in later decades. In the Economic Survey of 1982 it was noted that it is becoming increasingly obvious from enquiries into selected sectors of the economy and from general observation, that the methods used to make estimates of the GDP need to be revised. While any revisions of this nature are only likely to have a small impact on growth rates year by year, they could in total lift the whole level of GDP such that GDP per head might be significantly higher than is currently portrayed.

A footnote in the same survey identified transport and communications, finance insurance, real estate and business services as being potential subjects for upward revision. In addition, it stated that as further data become available it would “probably show that the agricultural sector is also one in which substantial upward revision may be necessary.”

There has been long-standing scholarly attention and interest paid toward informal sector in Kenya. The sector was surveyed as part of a Micro and Small Scale Enterprises Survey conducted in 1993, 1995 and 1999, but these findings have not been integrated in the baseline estimates for the constant price series. In Tanzania, which Kenya so often is compared with, the constant price series were rebased in 1994 with an inclusion of the informal sector, a change which resulted in a significant upward revision of the national income estimates, and thus producing an illusory impression of rapid economic growth in the 1990s.

This short survey of national account methodology and the evolution of the constant price series available to end users has showcased the plausibility of large errors associated with the level estimates, in particular for agriculture and small scale economic activities. The evolution of national accounting methods has important implications for the resulting growth rates. Most development scholars who are interested in growth and income consult the data available in the databases of which the most commonly used are Penn World Tables (PWT), World Development Indicators (WDI) and the data provided by Angus Maddison. These data are all based on national account files provided by the Central Bureau of Statistics; however, none of these three data providers will document specifically which series have been used or which methods have been employed in creating international comparable statistics and continuous constant growth time series. The process between the primary evidence and the final product is non-transparent and non-replicable. Different research papers make use of each of the different data sources, causing some confusion regarding comparison of growth rates across time and countries. In order to obtain a measure of growth reporting accuracy, a correlation matrix is reported in Table 1. This table is a comparison of derived annual growth rates between 1965 and 1995. “Kenya” denotes the constant price growth rates as reported by the Central Bureau of Statistics in the Statistical Abstracts. It is important to note that each one of these sources of evidence purports
to give us a truthful picture of the rate and timing of economic change in Kenya. The lack of correlation between the four types of evidence, each of which are supposed to relate to exactly the same process using the same indicator, is striking. At face value, we have no reason to trust one source of evidence over the other.

The correlation matrix of the annual growth rates for the Kenyan economy clearly displays that there is high disagreement regarding annual growth rates. In order to get an understanding of the timing of the growth reporting accuracy, another measure is calculated based on the four sources of growth rates. For any given year the highest reported growth rate (max) and the lowest reported growth rate (min) is displayed in Figure 1. The difference between the two lines can be conceptualised as the annual error range. At 4.6%, the average annual error range is considerable. This high average is driven by a very large discrepancy in the data between 1970 and 1972. For each of these years there are two competing versions of growth. If one trusts WDI or PWT, the economy shrank in 1970 (by 5 or 10% respectively) and then grew very fast through 1971 and 1972 (22 and 17% and 28 and 17% respectively). However, if one is more inclined to trust the official or the Maddison data instead, the rate of growth was stable between 5 and 7% during those three years. There seems to be an error common to both WDI and PWT which explains the spike in the error range those years. The official data for Kenya have 1982 as a base year for constant price series. This means that the weights are probably less correct for the late years, but since it has the same base year as the data from the international databases, the error range is narrower. Between 1980 and 1995, this range is “only” higher than 5% once (6% in 1983), and the data are very

<table>
<thead>
<tr>
<th></th>
<th>Kenya</th>
<th>WDI</th>
<th>PWT</th>
<th>Maddison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>1.00</td>
<td>0.50</td>
<td>0.27</td>
<td>0.78</td>
</tr>
<tr>
<td>WDI</td>
<td>0.50</td>
<td>1.00</td>
<td>0.90</td>
<td>0.54</td>
</tr>
<tr>
<td>PWT</td>
<td>0.27</td>
<td>0.90</td>
<td>1.00</td>
<td>0.32</td>
</tr>
<tr>
<td>Maddison</td>
<td>0.78</td>
<td>0.54</td>
<td>0.32</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Source: Kenya Statistical Abstracts, Maddison 2009, Penn World Tables, World Development Indicators.

Figure 1. Annual error range in GDP growth rate, Kenya 1965–95.
Source: Kenya Statistical Abstracts, Maddison 2009, Penn World Tables, World Development Indicators.
consistent between 1987 and 1994, where the error range is never larger than 2%. As indicated in the data correlation exercise earlier on, it is the PWT data that mostly dictate the error range, and the second spike in 1979 is caused by PWT, when growth is reported as 13%, while the official and Maddison data agree on 4% growth. The lesson from this error range exercise is that there are some errors common to the WDI and PWT series. The pattern of higher disagreement in the early period indicates that the harmonisation of the growth series going further back in time has not been successful. Furthermore, the interpretation of Kenya’s development record – particularly whether episodes of growth are associated with particular policies – may be in jeopardy based on the different versions in the growth evidence. Table 2 reinforces taking caution with regard to growth rates and policy changes.

The comparison of average growth rates over shorter and longer periods in Table 2 gives some cause for alarm and some for comfort. It is clear that by averaging growth over longer periods, the mistakes arising from growth comparisons seem to be minimised. Similarly, it is clear that for shorter periods the room for misinterpretation is sizeable. In the first five-year period, the interpretation can vary from rapid growth, according to Maddison and the official evidence, to modest and very slow growth according to WDI and PWT respectively. A similar potential for misunderstanding, yet with a converse pattern, is found the next five-year period. Here WDI and PWT report very rapid growth, whereas according to Kenya and Maddison there would have been a marginal per capita improvement. In the latter half of the period, as reviewed, there is better agreement; yet, depending on the source, it is unclear whether GDP per capita was increasing or declining, a measure on which so much depends.

Kenya, 1965–95, according to the official evidence

This is an account of the economic performance of Kenya 1965–95. In order to get a better understanding of the actual growth record in Kenya, this article turns to the national account files prepared by the Central Bureau of Statistics in Nairobi since independence. The national accounts, unlike WDI, PWT or the Maddison data, are primary sources. The data available from the international series have been passed from the respective governments and statistical bureaus and have then been modified – harmonised to fit the purpose of the data retailer and its customers. Therefore, they should be considered secondary sources. The alterations can create problems, and, as was shown in the previous section, a comparative judgement on economic

Table 2. Accuracy in growth reporting, Kenya 1965–95.

<table>
<thead>
<tr>
<th></th>
<th>WDI</th>
<th>Kenya</th>
<th>PWT</th>
<th>Maddison</th>
<th>Average</th>
<th>Min.</th>
<th>Max.</th>
<th>Error range</th>
<th>Inaccuracy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966–70</td>
<td>5.8</td>
<td>8.2</td>
<td>2.6</td>
<td>7.6</td>
<td>6.1</td>
<td>2.6</td>
<td>8.2</td>
<td>5.6</td>
<td>93%</td>
</tr>
<tr>
<td>1971–75</td>
<td>10.0</td>
<td>5.0</td>
<td>11.4</td>
<td>4.2</td>
<td>7.7</td>
<td>4.2</td>
<td>11.4</td>
<td>7.2</td>
<td>94%</td>
</tr>
<tr>
<td>1976–80</td>
<td>6.4</td>
<td>5.6</td>
<td>5.8</td>
<td>6.4</td>
<td>6.1</td>
<td>5.6</td>
<td>6.4</td>
<td>0.8</td>
<td>13%</td>
</tr>
<tr>
<td>1981–85</td>
<td>2.6</td>
<td>4.2</td>
<td>2.2</td>
<td>3.0</td>
<td>3.0</td>
<td>2.2</td>
<td>4.2</td>
<td>2.0</td>
<td>67%</td>
</tr>
<tr>
<td>1986–90</td>
<td>5.6</td>
<td>5.2</td>
<td>6.6</td>
<td>5.6</td>
<td>5.8</td>
<td>5.2</td>
<td>6.6</td>
<td>1.4</td>
<td>24%</td>
</tr>
<tr>
<td>1991–95</td>
<td>1.4</td>
<td>3.2</td>
<td>1.6</td>
<td>1.4</td>
<td>1.9</td>
<td>1.4</td>
<td>3.2</td>
<td>1.8</td>
<td>95%</td>
</tr>
<tr>
<td>1966–75</td>
<td>7.9</td>
<td>6.6</td>
<td>7.0</td>
<td>5.9</td>
<td>6.9</td>
<td>5.9</td>
<td>7.9</td>
<td>2.0</td>
<td>29%</td>
</tr>
<tr>
<td>1976–95</td>
<td>4.0</td>
<td>4.6</td>
<td>4.1</td>
<td>4.1</td>
<td>4.2</td>
<td>4.0</td>
<td>4.6</td>
<td>0.6</td>
<td>13%</td>
</tr>
<tr>
<td>1966–95</td>
<td>5.3</td>
<td>5.2</td>
<td>5.0</td>
<td>4.7</td>
<td>5.1</td>
<td>4.7</td>
<td>5.3</td>
<td>0.6</td>
<td>12%</td>
</tr>
</tbody>
</table>
performance might depend on which source of growth evidence was used. It is unsatisfactory to work with data where no proper sources are given and where there is no immediate indication as to why the different sources disagree.

The post-colonial growth record of Kenya is covered by four different constant price series. The first decade can be evaluated according to a growth series based in 1964 prices. This series was continued to 1974. There are two official series covering the 1970s: one based in 1972 prices and another based in 1976 prices. The 1972 series was only continued until 1978, while the 1976 series covered a decade of economic growth: 1974–83. The evaluation of economic growth in the 1980s until 1995 relies on an official series based in 1982 prices. There is little overlap in the series of official evidence for Kenya. The performance in the 1970s can be approached by two different series, while for the 1960s, 1980s and 1990s one must rely on a single time series. The growth evidence in the databases is bridging across different base years. As noted in the description of national accounting methodologies, it is unclear to what extent these methods changed during the period. The four constant price series are reproduced in Tables 3–6.

As seen in Table 3, during the first decade growth was stable, balanced and modest. The exception was 1965 when drought led to a marked decrease in the agricultural output, and resulted in a stagnant total GDP. These adverse climatic conditions were reversed in 1966 when the rains were “extremely good”. In 1971 drought struck again, and a decrease in agricultural growth can be observed. Economic Survey 1972 reported that this drought caused a negative growth in agricultural output, but the data reported here from the Statistical Abstract 1975 do not agree. Agricultural output revived with better rain in 1972. The agricultural growth averaged 5% between 1964 and 1973, barely one percentage point lower than total GDP growth. Structural change is reflected in this relative lag as the sector’s contribution to GDP fell from 39 to 34%.

The manufacturing sector (including repairs) grew faster than the rest of the economy at a relatively steady 9% yearly growth. It contributed 15% of the total increase of value added during the period and increased its share in GDP from 10 to 13%. Finance and Government were the only two sectors in the economy that grew faster than manufacturing. Together these sectors accounted for almost half the increase in total output from 1964 to 1974 – both more than doubling in value. Total GDP grew at an average of 6% a year with agriculture causing the only disruption from that steady growth trend. Growth was evenly shared in GDP between the four sectors of agriculture, manufacturing, finance and government, which together made up three quarters of GDP in 1964, and accounted for 80% of the total output growth between 1964 and 1974.

The short time series displayed in Table 4, between 1972 and 1978 indicates a slight slow-down in growth as the average GDP growth fell from 6% in the previous period to 5%. Aside from the manufacturing sector, where growth rose to an average rate of 12% per year from 9% in the previous period, the economy as a whole grew slower in this period. Agricultural output grew at only 3% annual average, and in fact would have been lower had it not been for strong agricultural growth in 1977 due to a boom in the price of Kenya’s agricultural exports, and a record amount of coffee and tea being marketed. The following year, prices fell in the world market and marketed output stagnated. According to Economic Survey 1979, the volume of marketed output of coffee fell almost 15% in 1978. The effect of the falling unit value of output is not apparent in a constant prices series, but according to the same
Table 3. Kenya gross domestic product, base year: 1964 (K£ million).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, hunting, forestry and fishing</td>
<td>130.16</td>
<td>117.68</td>
<td>143.88</td>
<td>147.27</td>
<td>155.1</td>
<td>166.68</td>
<td>173.68</td>
<td>175.97</td>
<td>189.39</td>
<td>199.44</td>
<td>201.58</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>1.46</td>
<td>1.41</td>
<td>1.38</td>
<td>1.37</td>
<td>1.44</td>
<td>2.01</td>
<td>2.6</td>
<td>2.72</td>
<td>2.5</td>
<td>3.6</td>
<td>3.42</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>33.74</td>
<td>35.56</td>
<td>37.76</td>
<td>39.21</td>
<td>42.11</td>
<td>48.59</td>
<td>52.49</td>
<td>59.29</td>
<td>63.61</td>
<td>70.78</td>
<td>76.11</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>6.93</td>
<td>7</td>
<td>7.04</td>
<td>7.68</td>
<td>7.9</td>
<td>9.09</td>
<td>9.81</td>
<td>10.56</td>
<td>11.64</td>
<td>11.93</td>
<td>12.53</td>
</tr>
<tr>
<td>Construction</td>
<td>12.63</td>
<td>13.01</td>
<td>14.95</td>
<td>16.19</td>
<td>16.81</td>
<td>18.64</td>
<td>18.98</td>
<td>20.22</td>
<td>23.05</td>
<td>23.78</td>
<td>22.68</td>
</tr>
<tr>
<td>Wholesale and retail trade and restaurants and hotels</td>
<td>32.98</td>
<td>34.54</td>
<td>38.37</td>
<td>38.42</td>
<td>42.63</td>
<td>41.27</td>
<td>43.31</td>
<td>44.6</td>
<td>42.64</td>
<td>45.49</td>
<td>47.01</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>25.14</td>
<td>28.79</td>
<td>32.47</td>
<td>36.11</td>
<td>38.66</td>
<td>38.57</td>
<td>41.18</td>
<td>43.12</td>
<td>42.43</td>
<td>45.21</td>
<td>48.05</td>
</tr>
<tr>
<td>Finance, insurance, real estate and business services</td>
<td>42.37</td>
<td>45.16</td>
<td>46.68</td>
<td>50.63</td>
<td>55.29</td>
<td>58.04</td>
<td>65.34</td>
<td>70.39</td>
<td>76.21</td>
<td>82.94</td>
<td>88.52</td>
</tr>
<tr>
<td>Public administration and other services</td>
<td>45.94</td>
<td>49.91</td>
<td>56.11</td>
<td>59.18</td>
<td>64.21</td>
<td>71.65</td>
<td>77.3</td>
<td>85.6</td>
<td>96.01</td>
<td>102.75</td>
<td>107.25</td>
</tr>
<tr>
<td>Gross domestic product</td>
<td>331.35</td>
<td>333.06</td>
<td>378.64</td>
<td>396.06</td>
<td>424.15</td>
<td>454.54</td>
<td>484.69</td>
<td>512.47</td>
<td>547.48</td>
<td>585.92</td>
<td>607.15</td>
</tr>
</tbody>
</table>

Average annual growth

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>5%</td>
</tr>
<tr>
<td>Manufacture</td>
<td>9%</td>
</tr>
<tr>
<td>GDP</td>
<td>6%</td>
</tr>
</tbody>
</table>
Survey, the fall in prices resulted in a reduction in coffee earnings from KSH192.9 million to KSH115.6 million - a decline of more than 40%. Before the fall in prices, the rise in earnings stimulated manufacturing growth, both in terms of demand, and supply of capital goods for new projects. The rise in export earnings from coffee and tea also allowed a relaxation of import controls, which in turn stimulated growth in trade and wholesaling.

While agriculture contributed a modest 13% of the total increase in output over the period, rapid growth in manufacture compensated, and the GDP growth rate was kept stable. Manufacturing accounted for 30% of the total output increase. As in the previous period, the government and finance sectors grew steadily and accounted for 40% of the total increase. The aforementioned relaxation of import restrictions and boom in export prices caused a rapid growth in the trade sector (in particular from 1975 to 1978 when it grew at an average of 10% a year), and this sector contributed 8% of the total increase in value added, with other sectors only contributing marginally.

Taken together, the 1972 and 1976 series allow a comparison of parts of the same period at different prices as the 1974–78 period overlaps. As previously noted, there were significant changes in world market prices that were then transmitted to the domestic economy during the period. In the 1976 series (Table 5), as expected, agriculture had a larger share of the economy (37% as compared to 34% in 1974, and 38% compared to 31% in 1978). As a result, the manufacturing sector had a lower relative share in the 1976 series, though this difference is smaller (3% at the highest in 1978). In terms of growth rates, the 1972 series gives a 1% annual average growth in GDP from 1974 to 1978, compared to 5% in the year 1972. The 1976 series is significantly more optimistic about agricultural growth, which averages 4% as
Table 5. Kenya gross domestic product, base year: 1976 (K£ million).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, hunting, forestry and fishing</td>
<td>442.78</td>
<td>475.38</td>
<td>484.44</td>
<td>532.86</td>
<td>553.38</td>
<td>549.9</td>
<td>543.76</td>
<td>577.44</td>
<td>607.22</td>
<td>628.87</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>2.74</td>
<td>3.11</td>
<td>3.41</td>
<td>4.05</td>
<td>4.14</td>
<td>4.52</td>
<td>4.05</td>
<td>3.32</td>
<td>3.32</td>
<td>3.32</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>144.9</td>
<td>145.77</td>
<td>144.18</td>
<td>167.1</td>
<td>188.16</td>
<td>201.56</td>
<td>212.95</td>
<td>225.64</td>
<td>225.64</td>
<td>235.88</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>20.22</td>
<td>21.55</td>
<td>23.1</td>
<td>25.83</td>
<td>27.38</td>
<td>29.41</td>
<td>31</td>
<td>32.9</td>
<td>34.08</td>
<td>35.27</td>
</tr>
<tr>
<td>Construction</td>
<td>69.83</td>
<td>68.4</td>
<td>67.08</td>
<td>72.05</td>
<td>78.58</td>
<td>84.29</td>
<td>88.68</td>
<td>94.11</td>
<td>86.85</td>
<td>85.03</td>
</tr>
<tr>
<td>Wholesale and retail trade and restaurants and hotels</td>
<td>141.53</td>
<td>136.21</td>
<td>132.54</td>
<td>143.59</td>
<td>155.92</td>
<td>154.36</td>
<td>171.15</td>
<td>171.09</td>
<td>167.96</td>
<td>172.73</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>64.52</td>
<td>62.59</td>
<td>69.15</td>
<td>73.74</td>
<td>81.4</td>
<td>87.26</td>
<td>93.46</td>
<td>94.86</td>
<td>99.22</td>
<td>106.51</td>
</tr>
<tr>
<td>Finance, insurance, real estate and business services</td>
<td>165.84</td>
<td>174</td>
<td>182.45</td>
<td>191.74</td>
<td>202.4</td>
<td>212.02</td>
<td>237.69</td>
<td>260.87</td>
<td>284.75</td>
<td>297</td>
</tr>
<tr>
<td>Public administration and other services</td>
<td>170.11</td>
<td>185.19</td>
<td>195.64</td>
<td>206.09</td>
<td>220.34</td>
<td>236.6</td>
<td>252.76</td>
<td>266.74</td>
<td>277.43</td>
<td>289.64</td>
</tr>
<tr>
<td>Imputed bank service charges</td>
<td>−23.15</td>
<td>−24.09</td>
<td>−23.88</td>
<td>−26.79</td>
<td>−36.29</td>
<td>−44.18</td>
<td>−45.11</td>
<td>−46.39</td>
<td>−50.11</td>
<td>−53.49</td>
</tr>
<tr>
<td>Gross domestic product</td>
<td>1199.32</td>
<td>1248.11</td>
<td>1278.11</td>
<td>1390.26</td>
<td>1475.41</td>
<td>1515.74</td>
<td>1590.39</td>
<td>1680.58</td>
<td>1736.36</td>
<td>1800.76</td>
</tr>
</tbody>
</table>

Average annual growth:
- Agriculture: 4%
- Manufacture: 6%
- GDP: 5%

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, hunting, forestry and fishing</td>
<td>857.01</td>
<td>866.26</td>
<td>917.53</td>
<td>960.81</td>
<td>1004.11</td>
<td>1039.94</td>
<td>1091</td>
<td>1137.26</td>
<td>1237.02</td>
<td>1237.96</td>
<td>1280.92</td>
<td>1271.84</td>
<td>1229.54</td>
<td>1188.81</td>
<td>1220.73</td>
<td>1284.67</td>
<td></td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>7.95</td>
<td>8.75</td>
<td>5.45</td>
<td>6.61</td>
<td>7.21</td>
<td>8.16</td>
<td>8.11</td>
<td>8.4</td>
<td>9.12</td>
<td>10.15</td>
<td>10.62</td>
<td>11.25</td>
<td>11.97</td>
<td>11.01</td>
<td>11.23</td>
<td>11.41</td>
<td>11.72</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>333.97</td>
<td>351.47</td>
<td>364.13</td>
<td>372.32</td>
<td>389.07</td>
<td>405.84</td>
<td>424.07</td>
<td>448.67</td>
<td>474.34</td>
<td>502.8</td>
<td>532.47</td>
<td>560.47</td>
<td>581.63</td>
<td>588.61</td>
<td>599.21</td>
<td>610.59</td>
<td>634.4</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>58.51</td>
<td>57.97</td>
<td>64.3</td>
<td>66.27</td>
<td>69.03</td>
<td>71.55</td>
<td>49.69</td>
<td>52.35</td>
<td>55.33</td>
<td>59.03</td>
<td>62.97</td>
<td>67.83</td>
<td>70.84</td>
<td>70.44</td>
<td>71.03</td>
<td>73.05</td>
<td>75.43</td>
</tr>
<tr>
<td>Construction</td>
<td>163.66</td>
<td>174.66</td>
<td>184.75</td>
<td>169.54</td>
<td>160.54</td>
<td>154.43</td>
<td>178.67</td>
<td>177.39</td>
<td>184.33</td>
<td>189.92</td>
<td>199.75</td>
<td>207.23</td>
<td>203.69</td>
<td>197.65</td>
<td>187.98</td>
<td>194.39</td>
<td>204.33</td>
</tr>
<tr>
<td>Wholesale and retail trade and restaurants and hotels</td>
<td>303.33</td>
<td>318.38</td>
<td>322.52</td>
<td>299.4</td>
<td>307.78</td>
<td>320.06</td>
<td>355.22</td>
<td>389.98</td>
<td>412.53</td>
<td>436.27</td>
<td>455.47</td>
<td>465.95</td>
<td>472.05</td>
<td>478.94</td>
<td>479.56</td>
<td>509.05</td>
<td>549.34</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>140.87</td>
<td>148.95</td>
<td>151.71</td>
<td>161.93</td>
<td>168.85</td>
<td>169.7</td>
<td>206.54</td>
<td>215.42</td>
<td>224.9</td>
<td>234.02</td>
<td>241.06</td>
<td>249.74</td>
<td>259.1</td>
<td>263.6</td>
<td>265.71</td>
<td>273.68</td>
<td>285.58</td>
</tr>
<tr>
<td>Finance, insurance, real estate and business services</td>
<td>405.42</td>
<td>417.45</td>
<td>487.24</td>
<td>483.88</td>
<td>521.75</td>
<td>546.28</td>
<td>616.6</td>
<td>648.12</td>
<td>581.22</td>
<td>716.08</td>
<td>758.01</td>
<td>798.14</td>
<td>831.59</td>
<td>864.66</td>
<td>900.66</td>
<td>936.56</td>
<td>993.94</td>
</tr>
<tr>
<td>Public administration and other services</td>
<td>406.45</td>
<td>432.17</td>
<td>455.87</td>
<td>474.11</td>
<td>494.77</td>
<td>510.29</td>
<td>537.41</td>
<td>572.29</td>
<td>702.84</td>
<td>595.16</td>
<td>681.03</td>
<td>716.24</td>
<td>747.38</td>
<td>770.69</td>
<td>794.4</td>
<td>804.97</td>
<td>834.48</td>
</tr>
<tr>
<td>Imputed bank Service charges</td>
<td>−81.14</td>
<td>−78.41</td>
<td>−93.36</td>
<td>−84.19</td>
<td>−111.17</td>
<td>−116.42</td>
<td>−102.97</td>
<td>−105.43</td>
<td>−113.43</td>
<td>−121.81</td>
<td>−129.12</td>
<td>−134.03</td>
<td>−138.59</td>
<td>−142.03</td>
<td>−156.3</td>
<td>−169.17</td>
<td>−180.16</td>
</tr>
<tr>
<td>Gross domestic product</td>
<td>2596.03</td>
<td>2697.65</td>
<td>2860.14</td>
<td>2910.68</td>
<td>3011.94</td>
<td>3039.2</td>
<td>3313.28</td>
<td>3498.19</td>
<td>3668.44</td>
<td>3858.64</td>
<td>4050.22</td>
<td>4223.76</td>
<td>4311.5</td>
<td>4333.11</td>
<td>4342.29</td>
<td>4465.26</td>
<td>4693.73</td>
</tr>
</tbody>
</table>

Average annual growth:
- Agriculture: 3%
- Manufacture: 4%
- GDP: 4%
compared to only 2% in the 1972 series. In the 1972 series, manufacturing growth was particularly strong with an average annual growth of 12%. In the 1976 series, the same growth appears more modest at 7% annual average. This effect is largely cancelled out, but because the 1976 series gives a higher weight to agriculture, the economy appears to grow slightly slower in aggregate.

The aggregate growth during 1974–83 again was stable, and apart from the coffee and tea boom year of 1977, it was never far from the annual average of 5%. Output in agriculture appears to have been stimulated by favourable price conditions in the world market up until 1978, but stagnated thereafter with a recorded negative growth in 1979 and 1980. Output recovers in the early 1980s, and the sector contributed 31% of the growth in total value added from 1974 to 1983. Manufacturing growth slowed down compared to the earlier periods with an average growth of 6%. This growth rate, it bears noting, should not be taken at face value. The difference between the 1972 and 1976 series was observed in the previous paragraph, and in terms of the annual growth rate, there are some surprising discrepancies. The most conspicuous is that in 1976 – at 1976 prices – the manufacturing sector records a negative 1% growth. At 1972 prices, however, a growth of 19% is recorded. It is unclear what this difference derives from. Even so, the growth in manufacture did slowdown markedly in the beginning of the 1980s compared to earlier periods. The sector contributed only 15% to the increase in total value over the period and did not increase its relative share in GDP between 1974 and 1983. The finance and government sectors grew fastest, contributing to 42% of the total value added from 1974 to 1983.

During the 1979 to 1995 period, as measured by the 1982 series in Table 6, there was a slowdown in aggregate growth relative to preceding years. GDP growth averages only 4% per year in this period. Two periods of particular stagnation in growth can be identified. During the first 6 years, 1979–84 growth averaged three%. From 1985 to 1990, growth improves, averaging 6% annually, while during the first half of the 1990s, it averaged only 2% per year. This growth trend is paralleled in manufacturing and agriculture. Growth in both manufacture and agriculture slowed to an annual average of 4 and 3% respectively. Between 1979 and 1984, growth in both sectors averaged 3%. Agricultural and manufacturing output revived somewhat in the later 1980s, and for this six-year interval, the annual average growth was 5 and 6%. The decline in agricultural growth starts somewhat earlier. Between 1987 and 1995, total output only increased by 4%, leaving the average growth rate for this seven-year period somewhere between zero and one. Manufacturing output grew at an annual growth rate of 3% during 1990–95.

The 1979–95 series is presented as a continuous series, but it is actually put together using the data from Statistical Abstracts published in 1985, 1990 and 1996. There, national accounts data were published in constant prices for the years 1979–84, 1983–89 and 1989–95 respectively. The series in the table makes use of the data in the 1990 Abstract from 1985 onwards. At this point there is a problem of comparability of the series. According to the series in the table, there is considerable growth between 1984 and 1985 (7%). A comparison of the 1983 and 1984 estimates according to the 1990 and 1985 data reveals that part of this growth is statistical.

Agricultural output for the year 1984 was revised upwards in the 1990 data by 30.89 million K£. Because the earlier data were used until 1984, the agricultural growth from 1984 to 1985 is in part statistical. The data for building and construction were revised upwards by 8.66 million K£ and 9.24 million K£ in 1983 and 1984 respectively. For the Water and Electricity sector the revision, perhaps
surprisingly, goes the other way. According to the 1990 data, the sector is 23.05 and 25.03 million K£ smaller in 1983 and 1984 respectively. The sectors recording value added in Transport and Trades was also revised upwards. In Transport the increase was about 7 and 12 K£ million in 1983 and 1984 respectively, while in Trade it was almost 33 K£ million in both years. The total GDP upwards revision in the 1990 abstract is 112.99 and 112.47 K£ million. Since there was no revision of the value added in Manufacturing, the remaining half of this upward revision – corresponding to almost 4% of total value added – is mainly in the Finance, Real Estate, Government and other services. Ownership of Dwellings in particular is re-valued significantly. The overall effect of the upwards revision is about 4% of total GDP in 1984. This means that the average growth in GDP and agriculture is slightly overstated in the series.

The share of agriculture in total GDP dropped from one third in 1979 to one quarter in 1995. This structural shift was not the result of growing reliance on manufactures, as reviewed growth in this sector was modest over the period, and its share in GDP increased marginally from 13 to 14%. The “productive” sector’s share in the economy was reduced from accounting for almost half the GDP in 1979 to one third in 1995. The most rapidly growing sector in the Kenyan economy between 1979 and 1995 was Finance followed by the Government, increasing at an annual growth rate of 9 and 7% respectively. These two sectors accounted for almost half of the increase in total value added during the whole period. In the process, the sectors contributed their shares in the economy to about one fifth of GDP each.

The economic performance of Kenya 1965–95 can be summed up as stable growth with a decelerating trend. In particular, growth in manufacturing and agriculture slowed in the latter part of the period. Because of the lack of consistent reporting on the methodology, it is harder to reach a firm conclusion on the importance of statistical growth. It is difficult to determine to what extent the agricultural sector was well accounted for in the early period, and whether there was a significant increase in coverage as time proceeded. Non-monetary agriculture accounted for 54% of total agricultural output in 1964 and was estimated to grow more slowly than commercial agriculture through that period. In 1974 its share had fallen to 52%. From the 1972 report onwards, the estimates for non-monetary and monetary agriculture are not disaggregated; it is this sector primarily that one would expect statistical growth to be hard to detect. Taking the relative statistical resources available in Kenya, it is likely that there was less statistical growth in this country compared with other countries in the early periods. When the agricultural sector is reported as aggregated, its share in GDP increases somewhat. At 1972 prices, the agricultural share in GDP was one percentage point higher during the three years of the series that coincide with the 1964 series (1972, 1973 and 1974), and agricultural growth slows down. However, it is not clear whether this is due to changes in statistical methods. Changes in base years coincide with very irregular reporting in PWT and WDI. In these sources, growth in 1971 and 1972 is reported to be 22 and 17% and 28 and 17% respectively, while official growth rates for these years are 6 and 7% respectively.

While growth in the productive sectors slowed down in the latter part of the period, the aggregate was slowing down to a lesser extent. In particular, the finance and the government sector grew rapidly. While one would not expect that the government data was subject to statistical growth, such growth has been noted in finance, in particular relating to the evaluation of real estate. There is higher
growth in the “supportive” sectors than in the “productive” sectors of the Kenyan economy. This acknowledgment might make Kenya look less favourable compared to other economies if performance is measured across agriculture and manufacturing, rather than “supportive” sectors in which the data is more likely to be a matter of estimation than actual measurement.

Explaining Kenyan economic growth revisited

As mentioned, Mwega and Ndung’u fit the story of economic growth in Africa within the authoritative synthesis of economic growth in post-colonial Africa provided by Ndulu et al. The authors observe that Kenya has experienced growth, but that the economy has failed to fulfil its potential since the late 1970s. It is asserted that Kenya outperformed Sub-Saharan Africa (SSA) as a whole until the 1970s. Such a conclusion is at odds with this interpretation of the growth evidence. Kenya’s early growth was rapid, but roughly in line with the other SSA economies, and the uniqueness of Kenya’s growth performance instead stems from the fact that it did not experience a rapid decline after the late 1970s. Relative to its own past, Kenya did indeed decline but not compared to other African economies. In addition, it is found here that the rapid growth in Kenya was not due to agricultural growth (which was slower than aggregate), but due to industrial growth.

Four growth episodes are identified by Mwega and Ndung’u: rapid growth during 1960–74, with poor performance 1975–84, a slight recovery 1985–89 and a slowdown in growth in the 1990s. These patterns correspond roughly with the episodes of growth highlighted earlier. These growth episodes are related to the political economy of Kenya, particularly the change between the Kenyatta and Moi era. The conventional wisdom is that this change in political regimes was bad for growth. The common hypothesis is that Kenyatta represented the Kikuyu, and since the Kikuyu had economic interests in cash crop exports, the Kenyatta government implemented policies favouring agricultural exports, and that these policies are pro-growth. With the shift to Moi in 1978, power was no longer with the Kikuyu. Moi represented groups that had been disadvantaged during the previous years, and according to Mwega and Ndung’u, the Moi era was associated with a redistribution of resources. This analysis is based on Bates who provides support for such a conclusion. In an earlier work, Bates describes policy response to food crises in 1979–80 and in 1984–85, and argues that these subsistence emergencies were used by Moi to stabilise his rule. While the Kenyatta presidency rested on an urban industrial base and export agriculture (tea and coffee) – and was partly antagonistic towards the maize-growing centres – Moi’s power base lay in the grain-growing areas. Thus, the crisis provided Moi with a chance to channel financial funds to those areas and bolster his support.

A common way of accommodating the Kenyan growth experience is the belief that, while economic policies were not perfect, they were still better compared with other countries. However, as Bates notes, “Under Moi, Kenya has come more closely to resemble her African neighbours.” Himbara, for his own part, makes little distinction between the two regimes and notes in a discussion on the policy environment for the local bourgeoisie,

To its credit, the Kenyan state did not squander the skills of this segment (as did its more reckless Tanzanian and Ugandan counterparts); however, the Kenyatta and Moi
governments have not provided an environment in which this fraction, together with foreign capital and the jua kali sector, could deepen Kenya’s industrial base to the extent their technical capacity would have allowed.42

Anyang’ Nyong’o notes the difficulties that arose in industrial development, and views these as resulting from changing “political pacts”.43

A more contestable claim in this regard is that the change in political economy was the main determinant of aggregate growth. The Kenyatta era coincides with rapid growth (with the exception of the late 1970s slowdown) and the Moi era with slow growth (with the exception of the late 1980s growth improvement). According to Mwega and Ndung’u, the introduction of multiparty politics in 1991 is associated with a marked slowdown in growth, as political competition resulted in adverse policies and spending.

While economic and political change do coincide somewhat, the causation is not straightforward. One has to disregard the fact that the slowdown occurred before the political change, and further ignore the occurrence of growth in the late 1980s. It is not immediately obvious that Kenya performed badly during the Moi era, and it is even less obvious that it did so because of economic policy. First it needs be acknowledged that during the Moi era Kenya performed considerably better than the African average. From 1978 to 2000, the average GDP per capita growth for Sub-Saharan Africa was close to negative 1%.44

Mwega and Ndung’u specifically refer to the “mismanagement” of the 1976–77 coffee booms.45 However, it should be noted that this occurred during the Kenyatta era, and furthermore, that this “mismanagement” was not unique. The response to the coffee boom in both Tanzania and Kenya was in both cases to liberalise foreign exchange and import controls. Beyond being a natural response to an improvement in external conditions, another reason for this policy convergence is that it was strongly advised from the World Bank.46 Retrospectively, this was an unfortunate choice as the coffee boom soon ended, and foreign exchange turned out to be very scarce in the face of a second oil shock. It is not correct, however, to ascribe this policy choice entirely to poor management. The second major qualification is that Kenya, like most economies, experienced exogenous shocks. The effects of those shocks accumulated and hampered economic growth during the Moi era. In addition to the end of the coffee boom and the 1979–81 oil shocks coinciding, there was drought in the early 1980s. It is therefore hard to pick out which part of the economic decline was shock-related, and which part of the decline was policy related. For instance, Mwau and Handa note that the external shocks were “contractionary”, but explain the persistence in current account deficits with reference to government policies.47 It also bears mentioning that Kenya, to a larger extent than most African economies, relied on exports of manufactured goods to other African countries, in particular to the East African Community.48 This export-led growth was seriously undermined as the EAC disintegrated after war broke out between Tanzania and Uganda in 1979.

The response to the first crisis in 1973 was to extend controls in the economy. These controls were imposed on bank lending and interest rates, foreign exchange licensing and imports quotas, with some direct price controls on domestically traded goods. While foreign exchange controls were temporarily relieved in the immediate aftermath of the coffee boom, these controls remained largely intact until reforms of the 1980s. On the contrary, the response to the second crisis in the 1980s was to
liberalise controls. These reforms were largely donor-driven. Under Kenyatta, the response to shock was controls, while under Moi the eventual response was liberalisation. First, this does not cohere with the account of policy changes in Mwega and Ndung’u. Second, the crucial determinant of crisis response here most likely was not ethnic allegiance but rather changes in the external environment of policy advice. The changes in policy cannot be attributed to the internal political economy alone, but are also a reflection of changes in what was considered sound economic policy at the time. As seen in Table 7, there are also further complications concerning the performance of manufacturing and agriculture production during the late 1970s. Depending on which series is chosen, the performance of agriculture and manufacturing in the 1970s looks very different. The variance within the available growth evidence for this period leaves judgements on economic performance in doubt.

The rapid manufacturing growth in the early period was a direct result of state intervention: “Helped by high import-protection, import substitution was initially successful.” In the late 1970s and early 1980s, three factors combined to slow this growth down. The breakdown of the East African Community depressed export demand, while domestic demand was repressed when the coffee boom ended, severely constraining access to foreign exchange and causing import shortages. The observed slowdown in manufacturing may also partly be caused by the difficulties of moving beyond the first stage of import substitution. Thus, the Import Substitution Industrialisation (ISI) strategy cannot be considered a complete failure. In the adverse conditions in the 1980s growth continued, albeit more slowly, but relative to the absolute decline experienced elsewhere, this reveals that some of the manufacturing growth was indeed sustainable. Sharpley and Lewis contend that while the manufacturing sector was in a “serious mess” after liberalisation, there remained “experience with exports from a number of subsectors”, and that there were “considerable opportunities” in manufacturing.

Mwega and Ndung’u hold that exchange rates were “relatively well managed” and compared favourably with other Anglophone African economies. According to them, black market premiums never significantly exceeded 20% except in 1972–73 (the Asian exodus) and in 1982. Vandemoortele points out that during the period 1974–83, the country followed a flexible exchange rate policy, and that in 1975 the currency was devalued for the first time, by approximately 14%. “Three more


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross domestic product</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1972 Series</td>
<td>2%</td>
<td>6%</td>
<td>9%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>1976 Series</td>
<td>4%</td>
<td>2%</td>
<td>9%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Agriculture</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1972 Series</td>
<td>3%</td>
<td>-1%</td>
<td>9%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>1976 Series</td>
<td>7%</td>
<td>2%</td>
<td>10%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Manufacture</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1972 Series</td>
<td>0%</td>
<td>19%</td>
<td>16%</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>1976 Series</td>
<td>1%</td>
<td>-1%</td>
<td>16%</td>
<td>13%</td>
<td>7%</td>
</tr>
</tbody>
</table>
devaluations followed in 1981 and 1982 so that on average the real effective exchange rate did not revalue significantly between 1974 and 1983.\textsuperscript{53} Between 1980 and 1985, import restrictions were rolled back and tariffs reduced. Forty-eight per cent of all imports were free of restrictions in 1985, and overall tariffs on other goods were reduced 8%.\textsuperscript{54} In 1988, liberalisation was taken further, and in 1991 trade was free. In the same period, domestic price controls were almost totally abandoned. The last markets to be liberalised were petroleum and maize in 1995 after strong pressure from donors. As mentioned above, these price controls were implemented in the 1970s, while liberalisation had started already in 1983.

\textbf{Conclusion}

Temporary controls were implemented in Kenya during the Kenyatta period as a response to the first economic shock (1973–74). When the immediate effects of the second shock passed (1979–81), liberalisation was extensively implemented under Moi, leaving the economy more liberalised than before the shocks had occurred. The correlation of liberalisation and growth is not unequivocally positive. There are reasons to question whether too much has been made of the growth difference between the Moi and Kenyatta regimes. There were clearly different political agendas and favoured groups, but with regard to the direct growth effect of policies, this analysis cautions against exclusive causal claims between economic policy and growth.

This caution is grounded in four factors. First, the growth differential between the Kenyatta and Moi era is not significantly marked. The effect of negative economic shocks during the Moi era and the positive relative performance in the same period implies that we should reconsider how to interpret the growth differential. Second, economic growth was rapid in the beginning of the Kenyatta era, but “this came to an abrupt end in 1973”\textsuperscript{55} and did not coincide with the political shift. Third, the Moi era is strongly associated with “good” policies as they cohere with current orthodox policy advice. Changes in the development paradigm correspond closely to changes in development policy in Kenya. The liberalisation policies did not have a discernible positive growth effect, indicating that there was little growth to be reaped from liberalisation of agricultural trading and the exchange rates. Fourth, the rapid growth under Kenyatta was not remarkably faster than rates achieved elsewhere, and more importantly, this rapid growth was due to industrial growth, not agricultural growth. The abandonment of the ISI strategy resulted in slower manufacturing growth, and agricultural growth suffered from some drought years. The economy as a whole suffered from a large debt overhang inherited from the shocks of the 1970s and 1980s, together with instability caused by donor negotiations. This lack of policy freedom and fiscal resources meant that Kenya largely had to dismantle industrialisation ambitions.

This article has shown that the automatic links made in the literature between policies that are identified as “pro-growth” and “pro-export” with the aggregate rate of growth is not consistent with the evidence. The growth evidence is shaky, but through thorough analysis it has been established that Kenya, like most African economies, underwent rapid industrial growth and modest agricultural growth in the 1960s and 1970s. Like most African economies, Kenya was hard hit by economic shocks in the 1970s but weathered the storm much better than most African economies. While it is still hard to disentangle growth effects arising from domestic
policy and external market conditions, this analysis turns the conventional story of Kenya upside down: in terms of aggregate growth rates, Kenya did relatively well under Moi’s rule; its performance under Kenyatta was not exceptional.

Notes
2. For a review and critique of “neopatrimonialism” and how this term has been used to explain Kenya’s (and other countries such as Cote d’Ivoire) failure to successfully embrace economic and political reform see deGrassi, “Neopatrimonialism,” and Pitcher, Moran and Johnston, “Rethinking Patrimonialism.”
4. Illiffe, *Emergence of African Capitalism*, 78, 82. Tanzania is referred to as the “model of African socialism” after Nkrumah’s fall in Ghana, while Kenya is labelled the typical example of “nurture capitalism” in East and South Africa.
5. According to Chege, “Introducing Race,” 210, the “Kenya Debate” “rebounded with vengeance” with a renewed interest in discussions on African capitalists and new publications, of which the most important are: Berman and Leys, *African Capitalists in African Development*; Kennedy, *Struggle for Ascendancy*; and King, *Jua Kali Kenya*, all with different perspectives on the debate.
6. Lipton, *Why Poor People Stay Poor*.
10. For several criticisms of Bates’ arguments, see Leys, *Rise and Fall*, 89; and for a critique of a price-based approach to the production problem, see Platteau, “Food Crisis in Africa,” 463–9.
22. Moradi finds that data on Kenya are either lacking or unreliable. He uses height data from African army recruits to gauge economic change in pre-colonial Kenya. Moradi, “Towards an Objective Account.”
25. East African Statistical Department, *Domestic Income and Product in Kenya (A Description of Sources and Methods with Revised Calculations from 1954 to 1958)*.
28. Ibid.
30. Ibid, 192.
32. Ibid., 6.
35. We have in two sets of data for 1983 too. For 1983 the difference between the two
Abstracts is 29.53 million K£. The statistical growth is approximately 3% in this sector.
36. Mwega and Ndung’u, “Explaining Economic Growth Performance;” and Ndulu et al.,
Growth in Africa: Case Studies, and Growth in Africa: Analytic Surveys.
38. Ibid., 327.
39. Bates, Beyond the Miracle of the Market, 149.
41. Bates, Beyond the Miracle of the Market, 149.
44. World Development Indicators, 2003.
46. Bryceson, Liberalizing Tanzania’s Food Trade, 9.
47. Mwau and Handa, Rational Economic Decisions, 135.
49. Fahnbuleh, “Elusive Quest for Industrialisation.”

References

Anyang’ Nyong’o, Peter. “The Possibilities and Historical Limitations of Import-Substitution
Industrialization in Kenya.” In Industrialisation in Kenya: In Search of a Strategy, ed.
Barkan, Joel, ed. Politics and Public Policy in Kenya and Tanzania. Revised ed. New York:
Bates, Robert H. Beyond the Miracle of the Market: the Political Economy of Agrarian
Bates, Robert H. Markets and States in Tropical Africa: The Political Basis of Agricultural
Bates, Robert H. “The Politics of Food Crisis in Kenya.” In The Political Economy of Kenya,
Berman, Bruce, and Colin Leys, eds. African Capitalists in African Development. Boulder, CO:
Lynne Rienner, 1994.
Bigsten, Arne, and Dick Durevall. “Factor Proportions, Openness and Factor Prices in Kenya
Blades, Derek. “What Do We Know about Levels and Growth of Output in Developing
Countries? A Critical Analysis with Special Reference to Africa.” In Economic Growth and
Resources: Proceedings of the Fifth World Congress, International Economic Association,
Bryceson, Deborah. Liberalizing Tanzania’s Food Trade: The Public and Private Faces of of
Chege, Michael. “Introducing Race as a Variable into the Political Economy of Kenya Debate:


