Linkages between Economic Growth, Poverty and Voter Preference in Kenya

Omwono Gedion Alango
P.O.BOX, 7405-40100
Kisumu, Kenya

Dr. Fredrick S. Odoyo
Lecturer
Catholic University of Eastern Africa
Gaba Campus
P.O. Box 908-30100
Eldoret, Kenya

Abstract
The proposed study seeks to examine the impact voter preference has on economic growth and poverty in Kenya. It will therefore explore the link between these three variables (Economic growth, poverty and voter preference) in Kenya by highlighting the background of current economic situation in Kenya. In this context, it will seek to answer the key issues threatening the country’s economic development. It will therefore cover the key disciplines of economics and socio-politics of Kenya. The study will also analyze the effect these three variables have on Kenya’s economic performance in key areas of agriculture, tourism, trade and industrial sector.

Key Words: voter’s preference, government economic policies and poverty reduction in Kenya

1.0) Introduction
The Republic of Kenya covers an area of 580,367sq. Km of which 569,140 is land while the remaining 11,227 is water. Ember (2012) estimated the Kenyan population at 41,070934, with a GDP per capita of U.S dollars 809.287. Taylor (2012) further observed that only 10 percent of Kenyans are controlling 50 percent of the national wealth with the remaining 90 percent have control of 50 percent of the national resources. Taylor (ibid), quoting several research sources including World Corruption Index notes that its one of the most unequal society in terms of wealth distribution. The Republic of Kenya constitutionally goes to polls every five years to elect its government and one of the main focuses during the election period is economic development and elimination of poverty. A snapshot look at the Kenyan economy shows that its economy is the third largest in sub-Saharan Africa, behind Nigeria and South Africa.

This study proposes to examine the impact of governments economic polices and poverty reduction programmes on voter preference in Kenya. The main channels through which the government affects economic growth and poverty alleviation in Kenya will be identified. The study will further look at these channels and attempts to gauge their impact on voter preference in Kenya. The proposed study is in response to various studies that have blamed Kenya’s poor economic performance and widespread poverty on domestic factors, such as voter preference. Other studies seem to indicate that voter preference has been effective in increasing growth and reducing poverty at the regional level, and suggesting that there is scope for making them more pro-growth and pro-poor in the future.

The Centre for the study of African Economies (2008) studied these aspects and concluded that:

Kenyans’ voting intentions are also influenced by grievances, economic and policy issues. Among these grievances are the perceptions that certain ethnic groups have been discriminated against by the government and that the economic growth that Kenya has recently enjoyed has not been shared equally across all groups. This partly explains why although the majority of respondents (60 percent) recognize the overall economic achievements of past Kibaki’s administration, only a few (29 percent) felt that their living conditions actually improved during Kibaki’s rule. It is then perhaps not surprising that Odinga(PM) found overwhelming support among the people who did not consider their living conditions to have improved during Kibaki’s rule.
2.0) Problem Statement

According to the United Nations Development Programme, women represent over 51% of the Kenyan voters and have a higher poverty ratio to men due largely to lower education levels, wage employment, enterprise ownership and decision making. Further estimates shows that less than half the Kenyan population has access to credit (UNDP: 2010) and that more than 65 percent Kenyans exercise their franchise. A further 52 percent live on less than a dollar a day (below the poverty line as per world standards). The problem under study can therefore be stated as: When economic growth remains a major voter preference during elections, how comes a majority of the Kenyan electorate still consider themselves too poor to meet the basic needs. In other words, how is it that a country well situated and naturally endowed with natural and human resources endemically have half its population leaving below poverty line?

3.0) Research Question / Hypothesis

- What are the linking variables between economic growth, poverty and voter preference in Kenya?
- What policy issues needs to be done to ensure voter preference is respected in the area of national economic growth and the elimination of poverty?
- To what extent can voter preference be aligned under circumstances in which it threatens the foundations of national growth?

3.1) Objectives and Aims

Overall Objective

The proposed study will focus on policy issues involved in stimulating government, private sector and civil society’s actions and debate on the use of national resources for the elimination of poverty through respect for the voter preference in national economic growth.

Specific Aims

The proposed study will aim at finding a workable solution to the cyclic poverty in Kenya through better economic performance with respect to overall voter preference. Therefore the specific aims of the proposed study can be stated as:

i) To Better Understand the Voter Preference on Kenya’s Economic Growth.

Political instability and economic growth

This paper examines the existence of political and economic divide that cuts across the Kenyan population. We define “political divide” as the state of a government failure to deliver reliable economic policies for a better growth of the country to the expectations of the majority. The main result of this paper is to show how unreliable politics and politicians have led to significantly lower growth than what is otherwise expected of them. This effect remains strong when the definition of “regime change” is restricted to cases of substantial changes of the government.

Economic growth and political stability are deeply interconnected. On the one hand, the uncertainty associated with an unstable political environment may reduce investment and the speed of economic development. On the other hand, poor economic performance may lead to government collapse and political unrest.

Does political divide affect economic growth?

The first step toward answering this question is a definition of what it is meant by “political divide”. In this paper, “political divide” is defined as the tendency of a change in the executive, either by “constitutional” or “unconstitutional” means. Thus, we study whether a high tendency of an executive collapse leads to a reduction of growth.

One strong theoretical argument underlying this relationship is based upon the effects of uncertainty on productive economic decisions, like; investment, production or labor supply? A high tendency of a change of government is associated with uncertainty about the new policies of a potential new government; economic agents may hesitate to take economic initiatives or may “exit” the economy, by investing abroad.

Conversely, foreign investors prefer a stable political environment, with less policy uncertainty and less uncertainty about property rights. Different arguments leading to relation between political divide and economic growth is implied by Grossman’s (1991) analysis of revolutions.
In situations where rulers are relatively weak, i.e. more easily overthrown, the probability of revolutions is higher and the citizens have higher incentives to engage in revolutionary activities rather than to engage in economic activities. On the contrary, strong leaders who make a revolution unlikely to succeed discourage revolutionary activities in favor of economic activities.

A related line of research, in particular the work by Murphy, Shleifer and Vishny (1991) and Terrones (1990), emphasizes the negative effects of rent-seeking activities on economic growth. A weak government constantly under threat of losing office may be particularly sensitive to the need of pleasing lobbyists and pressure groups, thus leading to a more direct effect of rent-seeking activities on policy decisions.

Two objections to these arguments are worth mentioning

The first one is that a high tendency of a government change may be viewed favorably by economic agents if the current government is incompetent and/or corrupt and its possible successors are viewed as an improvement. In a large sample such as ours, it is reasonable to assume that the expected value of the competence of future governments is not higher than the current government competence.

Second, if the tendency of government change is large, an increase of it may actually reduce political uncertainty, since it becomes more certain that the current government will collapse. However, if the characteristics, or even the identity of the successor of the incumbent government are not known with certainty, an increase of the propensity of a political change may lead to an increase in policy uncertainty. In fact, it implies an increase of the propensity of substituting a well known (even though, possibly, inefficient) government for a less known one.

A study of the effects of political instability on economic growth needs to deal with the problem of joint endogeneity: even if it is true that a high propensity of having frequent government changes reduces growth, it may also be the case that low growth increases the probability of a government change. The effect of growth on government changes is likely to be observable in both democracies and in dictatorships. In democracies, a vast empirical literature has established that high growth in pre-election years increases the likelihood of reelection of the incumbent government: voters do not reelect incumbents if they perceive that the latter have mismanaged the economy. Specifically, voters appear to pay particular attention to income growth immediately before elections. In non-democracies the likelihood of coups d’etat may also decrease with both the level of GDP per capita and its rate of growth. Low growth may increase popular dissatisfaction and create incentives for anti-government political action.

These are, in fact, the results shown by Londregan and Poole (1990), (199 la) in their studies of the economic determinants of unconstitutional transfers of power. A related issue is whether democratic institutions are harmful or conducive to growth. A rather popular argument is that democratic institutions may be harmful to growth. The basic idea underlying this view is that policy makers in democratic government are subject to the pressures of interest groups, and thus short-sighted follow opportunistic policies to enhance their chances of reelection instead of 6 policies that enhance long term growth. However, these arguments against democracy are not necessarily conclusive.

First of all, dictators may also need to be opportunistic if their survival in office is threatened. Second, authoritarian regimes are not a homogenous lot: they include “technocratic” dictators and “kleptocratic” ones. While the apparent association of high economic growth with authoritarian regimes is suggested by the experience of several authoritarian “technocratic” regimes (such as those in Korea, Taiwan, Indonesia, Turkey, Chile) it is as well evident that for each “benevolent” dictator one can observe at least as many “kleptocratic” and/or inept authoritarian regimes whose rule has led to systematic economic mismanagement and eventual political and economic collapse of their countries.’ One can therefore conclude that, both on theoretical and empirical grounds, there is no obvious relationship between democracy and growth.

In fact, the empirical cross-country evidence on the relation between democracy and growth is quit mixed. Some early studies argue that democratic regime tend to slow economic growth while authoritarian regimes tend to stimulate it.” However, others show that there is no systematic relation between long term growth and the democratic/authoritarian nature of the political regime.” Alesina and Rodrik (1991) present a model which is consistent with this inconclusive evidence. In their model, democracies should grow faster than “populists” or “kleptocratic” dictatorships, but less fast than “right wing” or “technocratic” dictatorships.

i. To Assess the Economic Impact Of Poverty On Kenya’s Voting Trends
Economically, the country Kenya is comprised two ‘nations’ divided by poverty:

One of these nations is politicians and business men, relatively prosperous, regardless of gender or geographic dispersal. It has ready access to a developed economic, physical, educational, communication and other infrastructure … The second and larger nation of Kenya is common man (voter) who is poor, with the worst affected being women in the rural areas, the voters in the rural population in general and the disabled. This nation lives under conditions of a grossly underdeveloped economic, physical, educational, communication and other infrastructure. It has virtually no possibility to exercise what in reality amounts to a theoretical right to equal opportunity.

Eradicating poverty is fundamental to transformation and economic prosperity. To a chorus of unhappiness from politicians, the pessimistic conclusion that can be drawn is: Kenya is not one nation, but two nations. And neither is it becoming one nation’.

The issue re-emerged in 2007, when the whole country went into chaos evidently fueled by politicians. A released a report critical of government’s performance regarding socio-economic rights, following the publication of a number of studies from different bodies like Kenya Anti Corruption Agency (KACA) among others which concluded that poverty levels in Kenya had remained constant or worsened since the advent of democracy. Politicians took up their pens: ‘Life is better without KACA.

Poverty, poor governance, corruption and inequality are Kenya’s down-falls, of these inequality poses the most serious threat to the poverty alleviation and economic development project. Government is caught in the unenviable position of balancing the needs of market stability (in a world dominated by free market economics) and appeasing domestic and international capital with trying to undo the damage of years of colonialism. While government, opposition and business may all be wary of issues relating to inequality and redistribution, isn’t it seemingly self-evident assertion that voters are overwhelmingly poor and politicians overwhelmingly wealthy? Moreover, how is it that ‘the distribution of income appears to have become more unequal between the two?’

And both poverty and inequality seem to have worsened under the so called democratic government. in Kenya ethnicity is politicised and used as a way to get to economic resources like land and political power. Evidence show that public spending and poverty are unequally distributed in Kenya. At the same time ethnicity has a strong spatial dimension in Kenya due to historically determined pattern of ethnic land settlement which facilitates targeting of specific ethnic groups. Hence politicians target public resources to their ethnic constituencies in their origin.

For example if public facility distribution is taken into consideration given the leadership preferense of individuals, during the period Jomo Kenyatta was in the office as the president, his area of origin was more favored more than any other area in the country, hence most development was done only in the area attached to his origin.

In the same sense, during the Moi regime, most of the economic developments concentrated in the Rift Valley which is the region from where he hails from even though there were no economic activites that needed such facilities. Other areas were either partially or totally neglected. Tribalsim is another form that is affecting the way economic opportunities are distributed in the nation. In public service sector, there are different numerous offices that are represented. All these offices are held by different individuals from different ethnic tribes, and evidence sho that job opportunities are distributed according to who you know regardless of the qualification. Hence ethnicity is one of the major determinants of economic inequality in Kenya.

i) To Assess The Potential For Higher Economic Growth, With Impacts Of Policy Change.

The fundamental question of growth of economics is, ‘How is it that some countries are so much richer than others? Clearly does not have a simple, single-cause answer. Instead, it is likely that a host of inter-related factors affect the efficiency of the allocation of resources and thus eventually drives the long-run differences in economic performance across countries. Understanding of these separate effects of some of these factors on economic outcomes, as well as in identifying some key driving forces – in particular, history and politics – behind these factors themselves.

Some of these key factors are:

- Legal system.
Government policies
Executives in the government
Opposition in cases of a democratic system

And are explained below:

- The characteristics of the legal system should affect the economic behavior of individuals – in particular, by influencing the accumulation of physical and human capital. A better legal system should thus lead to a better allocation of resources, eventually increasing the aggregate total factor productivity. Beyond the purely efficiency-oriented paradigm, the functioning of the legal system clearly should affect other dimensions of development, such as equity. This article reviews some of the recent literature on the relationship between the legal system and economic development. We will also look at the political economy factors that explain the differences in the characteristics of legal systems across countries and thus affect the link between the legal environment and economic outcomes.

What do we mean by the legal system?

- It is a system of inter-related formal institutions gathered around three main functions (Gray, 1991):
  i. Setting rules and standards (mainly via laws and regulations) for the operation of the society;
  ii. Law enforcement; and
  iii. Dispute resolution.

Example: consider a person, Mr. X, which inherits a plot of land from his father. The law that governs the pattern of this inheritance and guarantees the man’s property of the plot is one of the rules and standards that govern the society in which he lives.

Now suppose that a neighbor of Mr. X, that is, Mr. Y, tries to occupy the plot, and the owner makes recourse to police which evicts Mr. Y from the plot. This is the second function of the legal system: the enforcement of laws. The neighbor then challenges the legitimacy of the property of the plot by Mr. X, on the ground that Mr. X’s father had a debt with Mr. Y and just before passing away left the plot to Mr. Y to extinguish the debt. Clearly these two individuals Mr. X and Mr. Y then go in front of a judge who decides whether the claim of Mr. Y is justified. This is the third function of the legal system: resolving disputes that arise between legal entities.

Do Characteristics Of The Legal System Matter For Development Outcomes?

This study mainly consists of looking at cross-country correlations, for a large set of countries, between legal characteristics (substantive law in corporate/bankruptcy sphere, labor, etc.; judicial independence, procedural formalism, regulation of entry, etc.) and various economic outcomes (stock market development, private credit, labor market outcomes, corruption, size of the unofficial economy, etc.). These correlations clearly cannot be interpreted as causal relationships, given that legal characteristics can be themselves driven by economic outcomes. The study can overcome this reverse causality problem by instrumenting legal characteristics with legal origin (the origin of the legal family to which the legal system of a given country belongs). Legal characteristics are highly correlated with legal origin: there are, for instance, striking differences in procedural formalism and the details of bankruptcy law between the English common law tradition and the French civil law tradition.

What are the determinants of legal institutions?

A. History

One strand of literature claims that the major determinant of legal institutions of a developing country is its legal origin or a legal ‘family’ (see La Porta et al., 2008, for a review). There are two major legal families:

- a. Common law
- b. Civil law

Their main difference is the role of the judiciary: in the common law tradition it is an active law-making body, while in the civil law tradition, the law-making role is (almost exclusively) reserved to legislators, while the judges’ main task is to interpret the existing codes.

B. Social and cultural characteristics

Gray (1991) makes a conjecture that the legal institutions in developing countries reflect “direct or indirect adaptation to risk (from natural, commercial, or political sources) and to the high cost of information”.
For instance, the highly common collective responsibility system inside a kin for the offences committed by one member arises from the need for self-policing (given the high cost of information and low verifiability of individual action). Looking at the case of Kenya as one of the nation in the African political culture, the fact that the Kenyan legal system prior to constitutional change encouraged compromise and corruption as an adaptation to the social structure of this society which relies on collective insurance mechanisms to spread risk and which also has a very high population density (thus involving huge costs in case of violence).

At the same time, it is likely that not only the culture affects the society’s choice of the legal system, but at the same time the legal system affects the cultural norms.

C. Politics

Another natural candidate for explaining the differences in characteristics of legal systems is politics. Perotti and Volpin (2007) build a model that tries to explain the cross-country and cross-industry variation in the degree of investor protection. In their model, entrepreneurs differ in wealth and thus in their need of external finance. On the other hand, higher entry by new firms increases competition, which is feared by the existing firms. The wealthy entrepreneurs thus lobby for weaker legal investor protection. However, lower competition resulting from weaker investor protection reduces the welfare of voters. Thus, the degree of political accountability (explained by the political institutions of the country) affects the degree of investor protection. On one hand, in financially dependent sectors, the entry rates positively correlate with the degree of investor protection, and, on the other hand, a higher degree of investor protection is found in countries with more accountable political institutions. Each of these explanations is, perhaps, only a partial account for the variation in legal system characteristics, if taken separately. What is needed is a synthesis of these approaches. On the one hand, within the same legal family there is a great variation in the fine details of legal institutions, which probably are explained by social and political characteristics of the country. On the other hand, some main traits of the legal institutional inheritance are strikingly persistent over time and show at least some similarity within the same legal family.

Why legal reforms do (not) occur?

There exists a small but growing literature that studies the political economy of legal reforms. These studies start from the point of view that legal reforms are not exogenously given and that they reflect the interests of some groups in the society and ask the question what are the conditions for a country to embark on a legal reform. This means two things: first, that in the presence of the market for control, the financial/enforcement reforms are less likely to meet the political opposition of insiders; second, the two types of reform become complementary if financial reforms are implemented first.

In the context of transition economies, the rich might favor poor protection of property rights and thus the economy overall exhibits a poor legal environment. When the protection of property rights by the state is imperfect, agents have incentives to invest in the private protection of property rights. Given that the private protection exhibits economies of scale, the rich have a significant advantage in that they could expropriate other agents using their private protection capacities. The rich then are opposed to the full public protection of property rights which would cause them to lose their rents coming from the scale advantage. Such an environment does not allow grassroots demand to drive development of new market-friendly institutions (such as public protection of property rights). This situation then become self-sustaining, as shows the example of the Kenyan politicians - a small group of politically powerful agents that controlled large stakes of newly privatized property.

Implementation Issues

Let us now consider a setting in which a legal reform is possible (i.e., the opposition of the incumbents is not too strong) and turn to two key implementation issues.

The first issue is whether the elements of the legal system can be borrowed as a blueprint from one country into another. It is very tempting for a developing-country reformer to directly ‘copy and paste’ the existing and well-functioning laws from some developed country. Unfortunately, the literature on this ‘legal transplants’ gives an overall negative answer concerning the effectiveness of transplanting. The theory (Milhaupt and Pistor 2008) suggests that the legal transplants are likely to be effective only when they satisfy two general conditions.

First, they have to ‘micro-fit’, i.e. be compatible with the surrounding legal infrastructure (e.g., whether judges are familiar with the underlying doctrines of the law, whether the plaintiffs have the right incentives to make use of the new law, etc.).
Second, they have to ‘macro-fit’, i.e. the transplant must be compatible with the political-economic institutions of the county (e.g., whether the new laws are likely to be used given the local interest-group structure).

Thus, in general the home-grown laws are more likely to be effective than the legal transplants, because they naturally satisfy the above conditions.

The second issue is the effect of a legal reform in a setting of legal pluralism, i.e. where informal legal institutions play an important role. Aldashev et al. (2008) study the question of how the substantive legal reform (in particular, a reform that enhances the rights of disadvantaged groups in a developing country such as minorities, women, or the poor) affects the behavior of actors of the informal legal system (customary judges and mediators) and what might be the resulting effect of such a reform on the well-being of the disadvantaged group. In their model, the disputes arise between the rich and the poor and a customary judge (normally on the side of the rich) first tries to settle the dispute. If a poor plaintiff is unhappy with the settlement, s/he might bring the case to the formal court, but at the cost of the exclusion from the community.

The customary judge, however, tries to keep the community coherent and therefore might go some way towards the preferred verdict of the poor. In this setting, the authors find that a pro-poor legal reform can cause the customary judge becoming more or less conservative, depending on the distribution of outside options of the poor plaintiffs. The effect on the welfare of the poor is ambiguous: while the poor plaintiffs that have opted out of the informal legal system are clearly better off after the reform, those that stay within the ambit of the informal system might be hurt (both through the customary judge becoming more conservative and the destruction of the social capital). The paper then looks at the case-study evidence from Sub-Saharan Africa and India and finds that in the domain of women’s rights, moderate formal reforms have caused the custom to adjust in the right direction, thereby increasing the welfare of women.

**Conclusion**

In this paper, the study has reviewed some of the recent trends on the legal systems and economic development. It seems that the progress in different parts of this paper has been somewhat uneven. Hence it can be certainly known that a lot concerning the effects of changes in substantive law in different domains and specific contexts. However, much less is known about why in some contexts it is found large effects of such changes while in others these effects are practically absent. Also relatively little is known about the impact of the other elements of the legal system (enforcement and judiciary), even though, fortunately, the study in this direction has been growing.

Concerning the determinants of the legal systems, the different aspects of the study that underline history, social characteristics, and politics have been developing separately. The feeling is trying to integrate these different aspects should definitely give a much better understanding about the real determinants of the legal system, rather than going more in depth in each research line. Legal systems are just too complex to be reduced to some one-dimensional cause.

With regards to an understanding of what might help to push through economic reforms, the small but growing study seems to suggest that a careful look at the elements of the institutional setting that might help to compensate the potential losers of the reforms. This study is still at the outset; however, the modeling tools seem to be mature to start handling this question more in depth.

Finally, concerning the implementation issues of reforms, the knowledge in this domain so far seems to be limited to negative results: it is known that legal transplants are unlikely to work, unless they are well embedded in the legal infrastructure of the country. However, as some recent work on legal pluralism shows, there might be also some positive messages, concerning how formal legal reforms affect the informal legal setting of the country.

Overall, despite the field of law and economics of developing countries is still very young, it is growing rapidly and seems to be a fertile ground for exciting new findings, both theoretical and empirical. Further progress in this field is likely to come from the attempts to move beyond specific analyses of the impact of particular success or failure stories towards more general analyses of the determinants and outcomes of successful legal institutions.

**Significance**

1. The study of the linkages between economic growth, poverty and voter preference is expected to enhance a better understanding on the interrelationship between these variables. Earlier studies had looked at the elimination of poverty from a single perspective, assuming that all voters will forego other conditions such as ethnic affiliations in national development, which has proved not to be the case.
Besides the need for national development, other factors such as ethnic alliances seem to be motivating the electorate better than the elimination of poverty. Therefore, this study is expected to highlight what needs to be done to bring the nation together (irrespective of socio-economic and political affiliation).

2. It assumes further significance as a contribution that if properly implemented will guide policy issues in the elimination of poverty which is a major goal for the achievement of millennium development goals (MDG).

3. The proposed study will serve as a researched reference for future scholars interested in understanding the cause of widening gap between the rich and poor in Kenya and why voter preference favors the rich at the expense of economic development.

4. The proposed study will help identify areas where voter preference differs with economic development goals and what needs to be done to rectify the situation as may be the case when ethnic allegiance gets higher preference over national development.

5. Claims about citizen’s participation in economic policy decisions are usually based on broad generalizations arising from analysis of aggregate national data that are not well suited to revealing voter intentions. The proposed study will conduct representative sample surveys on voter attitudes and behavior in Kenya. By linking the three variables together, it becomes possible to test generalizations about the role of the voter on national development or poverty and to weigh these factors against other expressed and inferred motivations.

**Sources of data**

The proposed study will use mainly secondary data. Sources will include:

- Articles containing original research, data, or findings never before shared
- Original hand-written manuscripts
- Government documents and public records
- Newspaper and magazine clippings
- Textbooks
- Review articles and critical analysis essays

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