INTRODUCING RACE AS A VARIABLE INTO THE POLITICAL ECONOMY OF KENYA DEBATE: AN INCENDIARY IDEA

MICHAEW CHEGE

ABSTRACT

The debate on the nature and development potential of 'indigenous' capitalism in Kenya seemed to have petered off indecisively in the 1980s. At that time some form of socialism was still an option for some of the debaters. Following the seemingly-global acceptance of free-enterprise as the developmental model of choice, however, the Kenya debate has been resurrected but in a different intellectual guise. In line with the revival (especially in the United States) of culture and ethnicity as determinants of economic prosperity, some non-Kenyan authors have faulted the 1980s literature for leaving out Kenyan-Asian capitalists, the principal protagonists of local entrepreneurship, who, it is argued accounted for Kenya's outstanding development performance in the high-growth years before independence in 1963, and the onset of economic regress under the Moi government in the early 1980s, by dint of their industry and cultural heritage. Without giving in to the undeserved Asian-bashing which this thesis has provoked in some Kenya-African political circles, this article provides evidence that credit for Kenya's economic achievements is more widespread and more race neutral. So is credit for the corruption and crass mismanagement that has characterized the Moi years. Considering the low intellectual pay-off and the high political dangers inherent in careless introduction of race and culture as operating variables to explain growth, the article advocates greater attention to analytical concepts that show more promise in accounting for inter-ethnic differences in material prosperity. These include law-based governance, a stable macroeconomic environment, and the strengthening of 'social capital' at community level.

THE DEBATE ON whether indigenous capitalism in Kenya could underwrite the economic transformation of the country, with or without the support of international capital, was all rage in the late 1970s and early 1980s.1

Michael Chege, a Kenyan, is Director of the Center for African Studies, University of Florida, Gainesville, Florida USA. He previously worked with the Ford Foundation in Eastern and Southern Africa.

Writing in what appeared to be the terminal phase of it, Gavin Kitching predicted that the debate would end—like the famous ‘Brenner’ controversy on the origins of agrarian capitalism in Europe—in mutual exhaustion and with no identifiable victor.\(^2\) In Kitching’s view two major factors had inexorably steered the debate to a dead end: first, inability to acquire hard data on the inner strategies and thinking of the Kenyan African bourgeoisie; and more importantly, the absence of a clear programme of action for working class mobilization towards a socialist society, which some participants appeared to advocate. As events have since proved, Kitching was wrong. Old academic debates never die. They just fade and are then resurrected in a new intellectual attire and fitted with a trendy jargon. In the awake of the resurgent global euphoria on free enterprise as the engine of economic growth, academic discussion on African capitalists, has rebounded with a vengeance.\(^3\) It may well be that the salvation of African capitalism will benefit from such a resurrection. But the resurrected Lazarus in the debate also brings the added risk that Marx detected in *The Eighteenth Brumaire of Louis Bonaparte*: ‘All important events and personalities in history appear as it were twice, the first as a tragedy, the second as a farce’.

This article examines the increasingly popular rediscovery of race and culture as determinants of entrepreneurship in Kenya. To distinguish genuine economic knowledge from the tendentious race-and culture-based arguments which have now resumed a prominent role in comparative development studies, it advocates a return to the fundamental rules that govern the formulation of tenable hypotheses, and the empirical proof of cause-effect propositions. Otherwise, slipshod arguments on culture, race and the political economy of capitalism in Kenya or elsewhere, run the risk of generating more ethnic heat than light. In the charged racial atmosphere of the late twentieth century this may lead to grave social consequences. It could also postpone the answer to the problem of uneven distribution of entrepreneurial talent and rewards—not least between African communities themselves—which is among the thorniest issues on African development today.

Though dormant for a while, the race-and-economy debate in Kenya has a rich colonial ancestry in which the contribution of immigrant


race—European and Asian—purportedly eclipsed that of Africans. At the height of the Mau Mau rebellion for instance, the influential colonial finance minister, Ernest A. Vasey, remarked that ‘the Europeans who brought the technical knowledge and the Asians who came as artisans found an African people primitive in every sense of the word. . . . Our European population was the main spearhead of our development’.4 Resurrecting it from the conceptual terrain of culture-and-economics in the new American right, Robert Kaplan asserted in 1992 that ‘Kenya (was) buttressed for decades by a white business community and Asian shopkeepers from the Indian subcontinent. . . . For decades it was the Asians who constituted the Kenyan urban middle class lying between the thin stratum of wealthy Africans and the mass of African peasantry below.’ He proceeded to contrast ‘the jealousy of an African underachieving culture’ with the Asian ‘iron-tight family structure, allowing for enviable work habits and economic success’.5 And in a widely-quoted series of articles subsequently published as a book, Keith Richburg, the Washington Post correspondent in Nairobi between 1992 and 1995, contrasted the high managerial capability of East Asian bureaucrats with the incompetence of African development managers, even in stable countries like Tanzania that had received record levels of external development assistance. Richburg is un-apologetic about the perverse ‘tribal’ culture and political debauchery of Africans in comparison with the accomplished finesse of the immigrant races, especially in promoting economic development.6

In the academic world, David Himbara made a resounding entry into the seemingly defunct debate on Kenyan capitalism, in a book published in 1994.7 Railing against neglect of the contribution made to Kenya’s overall development by Kenyans of Indo-Pakistani origin, he claimed—on the basis of a sample of 100 companies drawn from the register of the Kenya Association of Manufacturers (KAM)—to have ‘confirmed’ this hypothesis that ‘relative development success in Kenya was mainly due to Kenyan Indian capitalists’ and secondarily, to the contribution of remnants of British administrators and the international development brigades that had saved the state from the ‘total collapse’ which African administrators had allegedly set in motion right from the dawn of independence in

6. International Herald Tribune, 14 July 1992. This article was extensively cited by Lee Kwan Yew, the founding leader of modern Singapore, in his advice to a select group of development-minded African leaders in Singapore in November 1993, according to Newsletter of the African Association of Political Science, December, 1993. See also Keith Richburg, Out of America (Basic Books, New York, 1997)
7. David Himbara, Kenyan Capitalists, the State, and Development (Lynne Rienner, Boulder CO, 1994)
1963. Whether in commerce, the parastatal firms, or in government, African-run enterprises seemed perennially prone to 'mediocrity', 'total collapse', or 'disaster'; the singular exception being their 'success' in handicrafts and the so-called *jua kali* 'informal sector'. As with Kaplan, the singular cause for Asian business success in Kenya is reported to be 'commercial skills . . . sheer determination and hard work . . . general efficiency and a competitive edge . . . and the role of family units'.

8. This is contrasted with the 'lack of a business culture among Africans' and the 'traditional . . . cultural values' that consistently undermined all African entrepreneurial initiatives except the very few in which 'black skinned' Africans had the wisdom (or luck) to go into partnership with the more talented white or Asian business managers.9

9. Having ostensibly began as a refutation of the 1970s authors—notably Michael Cowen, Colin Leys and Nicola Swainson—the last two of whom had argued against the 'classical' dependency position that accumulation in the global periphery was impossible against the backdrop a domineering multinational capital—the book ends up awarding credit for Kenya's economic 'exceptionalism' (such as it is) to this neglected and persecuted racial minority, not the 'virtually extinct' and mainly Kikuyu African bourgeoisie which had featured in the 1980s publications. Himbara depicts the African bourgeoisie of the Kenyatta years (1964–78) as an ephemeral Kikuyu artificiality which withered immediately its life support to 'political handouts' was disconnected under Moi's rule. What the Kenyan-Asian capitalist class now required to blossom and transform Kenya economically, he argued, is a network of supportive state structures which has unfortunately been hostage to African incompetence and bureaucratic corruption since independence, unlike in South East Asia.

In a recent rejoinder to this line of analysis, Michael Cowen and Scott MacWilliam, have returned to the fray with a monograph contending that demeaning remarks about 'indigenous classes of capital' have been standard baggage of ill-informed Marxist development discourse since the days of the Comintern, as demonstrated by the aspersions cast over native Indian capitalists (in India) in the 1930s, and over the aspiring Afrikaner bourgeoisie in South Africa of the 1940s.10

10. Cowen and MacWilliam stay clear of name-calling or assigning ethnic blame; the dominant tendency of their argument being to set the record straight, using classical Marxist analytical categories on class and what they call the 'layering of capital' by successive generations of accumulators. On the whole they remain sanguine about the prospects of capitalist development in the global

periphery, Moi's Kenya included, provided that appropriate political conjunctures, fusing capital and the state are found. Both therefore cite the pivotal role of access to state power in defining the existence of a bourgeoisie and reiterate the agrarian origins of the Kenyan African capitalists, as opposed to manufacturing on which Himbara's conclusions are erected.

As Africa's crises worsened in the 1990s, Kaplan's and Richburg's theories of Africans received saturation coverage in the US press and African-policy circles. For its part, *Kenyan Capitalists* met fulsome praise in leading North America academic journals; one reviewer calling its writer 'acute and bright', while the other chimed in with the verdict of 'a provocative and well researched analysis of Kenya's rise and fall'. In Kenya itself, partisan arguments by African and Asian racial extremists resumed centre-stage between March and June of 1996; both sides ironically drawing sustenance from Himbara's conclusion that Kenyan Asians provided the bedrock of the country's economic prosperity. The vituperative name-calling—Asian extremists berating 'indolent blackies' and boasting control of '85 percent of the economy'; their African counterparts demanding expulsion of 'Asian exploiters'—dominated press statements and rebuttals. In both its rabble-rousing and intellectual modes, the resurrected debate on Kenyan capitalism had acquired a new lease of life on the precipice of ethnic animosity.

*Politics, evidence and method once again*

In his enduring work, *Witchcraft, Oracles, and Magic Among the Azande*, E. Evans Pritchard argued that the fundamental distinction between science and magic was not to be found over conceptual differences in interpreting basic cause-effect relationships; both approaches were often in accord, for instance, that if untreated, a poisonous snake-bite leads to the death of the human victim. But the two disciplines differed irremediably on the substantive understanding of why one individual sustained the snakebite—as opposed to many others who had walked on the same path as the unfortunate person. While 'rational' analysis is open-ended in its response to that question (offering as explanations, chance, high probability of getting bitten in certain places and times, etc.), magic is a 'closed'

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And while rational analysis seeks to decipher systematic patterns in explaining observed phenomena, magical interpretations are entirely pragmatic and are therefore subject to varying, not to say contradictory and ad-hoc reasoning, constantly dodging contradictory facts. This approach is close to Popper’s attack on ‘closed belief systems’, including conspiracy theories in the wider social setting, which advance conjectures and propositions that are invulnerable to refutation by contradictory evidence or fresh theory—the generic mark of true science. And in a widely read extension of this argument, Imre Lakatos warns against ‘naive falsification’ based on muddled theoretical premises, faulty apparatuses, and biased gathering of data. Lakatos upbraided the introduction of utopian and ad hoc conditionalities (the same thing Evans-Pritchard had said of oracles and magic) to avoid contradictory evidence and refutation.

Like their 1960s predecessors, some of the contemporary studies on the ethnic and cultural origins of entrepreneurship are of the closed system variety too, and are auto-sealed against refutation. David McClelland’s 1960s n-achievement postulate, for example, was based on the early parent-child relationships which nurtured an individualistic and acquisitive trait. By this reasoning, however, every successful capitalistic endeavour could be traced back on a post hoc basis to the ‘right’ parental nurture whether this involved stern rules, affection, punishment, or good education, each of which after its own fashion could inculcate a self-assured personal drive in the growing child. Similar analysis could be used to ‘explain’ business failure. Compared to the newly resurrected race-and-economy genre, however, some of the older thinking seems highly circum-spective in its use of patchy data, and in how carefully it qualified its conclusions. Thus Bauer and Yamey, who could justly claim paternity to the contemporary creed in all-purpose markets as an engine for growth in Africa, considered extended families in much of the developing world to be a handicap to entrepreneurship. However, while acknowledging that family-based immigrant trading groups, like the ‘Indians’ in East Africa and the ‘Lebanese’ in West Africa, had pioneered the establishment of rural markets, they also denounced ethnocentric prejudice against

Africans whose agricultural productivity was already rising as a result of the new international division of labour, the acquisition of modern skills, and the farmers’ natural instinct for profit. Still, Bauer and Yamey believed that ‘force of custom, rigidity of status . . . collectivism of the extended family, the clan, the village or tribe’ were definite barriers to indigenous commercial progress. Thus while closely knit families were an asset to immigrant entrepreneurs, they were the bane of the Africans!

If the assumed causal linkage between being of Kenyan Asian descent (and its heritage of family cohesion and industriousness) and ‘success’ in business is to be unmistakably established, the two variables need to be more precisely defined and measured. For the argument to be irrevocably proven, ‘Asian-ness’ must be perfectly co-extensive with higher success rates in all business categories that ‘Asians’ engage in, on an equal footing with other racial groups. If significant variance in achievement within the group itself is detected, however, then variables other than race and culture must be sought. In fact, being Asian—the supposed precondition of ‘success’ in ‘accumulation’—is not as unproblematic and straightforward as Himbara and Kaplan assume. As a term of identity, ‘Asians’ in East Africa acquired currency only after Pakistan’s partition from India in 1947, and it is a convenient shorthand incorporating all residents from the Indian subcontinent and countries beyond it. Like ‘African’ (or indeed ‘European’) in Kenya, it is a category of convenience conflating a plurality of multiple and often rival identities. On the strength of past ethnographic and sociological data in East Africa, there is ample evidence to support great variations in ‘Asian’ business specialization and incomes, corresponding to religious sects, caste, and regions of ancestral origin in the Indian sub-continent. The British sociologist, H. S. Morris, the leading authority on this subject through the early 1970s, observed this caste-grounded division of labour: Goans, Sikhs and Brahmins in different branches of public service; Lohanas, Patidars, and Ismailis in industry; the Jains in retail trade; Sunni Muslims and Sikhs in engineering and the automobile industry. There were and remain vast

18. Masakazu Yamazaki, ‘Asia, a civilization in the making’, Foreign Affairs, 75 (1996), pp. 106–18, makes an eloquent case against the ‘Kiplingesque assumption about an Asian civilization, whose existence it fails to demonstrate’ given the extreme cultural and economic diversity that is found in the Asian continent, past and present.
differences in inter-sectoral (and hence inter-communal) incomes that are better explained by path-dependent business skills, rather than the elusive 'Asian' race and culture. Not all Kenyan Asians in any case are prospering industrialists. Gregory reported that only 14 percent of Kenyan Asians were involved in manufacturing in 1962, a figure that could not be exceeded by the rough estimates in the 1990s literature. Many Kenyan Asians still earned moderate incomes from trade and the professions, not to mention wage employment. For academic work appearing in the 1990s, surprisingly, not a word is said about the glaring absence of Asian women in medium or large-scale business compared to their African and white counterparts, a fact observed by McCormick. This should open the culture-entrepreneurship thesis to even greater absurdities: by its logic, Asian women who nurture and reproduce the habits of thrift and hard work in the young could then be accused of a deficiency in business culture. The arbitrariness in defining who is an Asian is also shown by the exclusion of Kenyans of Arabic and Iranian descent—about half as many as the 76,000 residents of Indo-Pakistani origin in 1989. Given especially the religious and cultural overlap between them and those of Indo-Pakistani origin, their absence in the large-scale industrial sector may suggest that explaining business success or failure as a function of ethnicity and culture has an unusually weak predictive power.

The lack of precision is even greater in the definition of what constitutes business 'success'. Despite its fleeting usage of paleo-marxist-jargon—'bourgeoisie', 'class', 'accumulation' etc.—entrepreneurial achievement by Himbara is not measured by what ought to be the standard Marxist yardstick of increased surplus value, and hence higher capital accumulation: the replacement of absolute surplus value by the relative surplus value, primarily through on-firm technical change. In a sense, then, Cowen and MacWilliam are wrong in faulting Himbara for reproducing the official line of the Comintern on the impotence of indigenous capitalism, a line which had been severely contested by the heterodox Marxism of India's M. N. Roy. Himbara professes no interest in any economic theory, Marxist or neo-classical, as a tool of analysis and is markedly impatient with both. Other than 'test' the two positions on the trajectory of Kenyan capitalism, he considers received theories as obscurantist and diversionary from the most urgent task—that of data gathering to right an

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Neither is the race and culture genre, academic or journalistic, seriously interested in validating business 'success' in standard accounting methods, or the performance yardsticks of neo-classical economics such as rates of return on capital, or total factor productivity. At its simplest, standard financial management assess corporate performance on either (i) the appreciation of total net assets especially in openly traded stock, or (ii) dividends earned per unit of investment at market value—the price-earnings ratio. None of that is attempted by way of proof. Conversely, other than the press, subjective interviews, and one-sided government statements, no objective criteria of any sort is used to prove that 'the performance of private African companies and state parastatals has ranged from mediocre to total failure'.

Instead, the sample of 100 large companies on which Himbara's case of Asian hegemony in the Kenya economy is exclusively based, contains a double bias: membership in the KAM (which is not the universe of manufacturing in Kenya); and the inbuilt surviving-big-firms' capacity to confirm 'success', since bigness is the obverse of the survival which produced it. In these circumstances, no effort is made to examine Coughlin's plausible thesis that despite its evident economic and structural handicaps, Kenya's industrial structure could be reconfigured and guided to achieve economies of scale and international competitiveness by government policy. In the end the only substantive logic that underlies the selection of the 100 companies, and the accolade of success they are given is not economic analysis, not profitability, and not efficiency in productivity, but precisely the one used by Edmund Hillary on scaling Everest: because they are there.

As is well-established by now, faith in manufacturing as the foundation of other economic activity is subject to dispute, in rich or poor countries. For all the hubris about the pivotal role of the Asian manufacturers as the true anchor of Kenyan 'exceptionalism', it should be noted that the contribution of manufacturing to GDP has consistently ranged at between eight and 12 percent since independence. More importantly, some 60 percent of value added in Kenyan manufacturing in the 1980s was in fact attributed, not to the import-substituting firms of the kind that dominate the KAM, but to the food and beverages processing

24. Himbara, Kenyan Capitalists, pp. 18–19, and p. xiv where 'hairsplitting theoretical arguments' in the Kenya debate are disparaged. We know from the basic methodological texts that data gathering outside a paradigmatic framework is an impossible, even risky task. See Thomas S. Kuhn, The Structure of Scientific Revolutions (University of Chicago Press, Chicago, 1970), pp. 43–51. For all its anti-theory bluster Kenyan Capitalists does have a hypothesis: the independent variable of an Asian capital caused the exceptionally positive economic performance in Kenya by dint of its culture.


sub-sector which is dominated by a combination of multi-nationals and parastatal enterprises (e.g. Kenya Breweries, British American Tobacco, Kenya Cooperative Creameries). And given the critical role of agriculture and agricultural processing in the country, it makes no sense to omit the factories whose output is normally enumerated under agriculture, notably the 45 factories of the Kenya Tea Development Authority (KTDA), an African-run organization which David Leonard informs us, is 'the largest tea corporation in the world'. Or those of Kenya Cooperative Creameries and the coffee factories, just because they are not in KAM register which is essentially a lobby of the import-substitution interests.

The statistical hat-trick under which probably one half of the 12 percent of GDP located in manufacturing (and owned by Kenyan Asians) becomes representative of 'accumulation' and 'exceptionalism' of the Kenyan economy, leaving out some 35—40 percent the GDP earned from agriculture, is justified in the most cavalier manner. To Kaplan the Kenya economy is evidently all-urban. For Himbara, agriculture 'was in a state that rendered it inappropriate as a subject for survey', citing newspaper reports of a riot among tea farmers in Murang'a, government banishment of farmers' organizations for 'corruption', and the transparently inaccurate statement that 'sectoral regulatory agencies (sic) like the Kenya Tea Development Authority and the Kenya Coffee Growers Association were either under official investigation or . . . not functioning at all'. The second reason given in defence of the biased sample—African managerial incompetence in assembling rural data, and the poor statistical sources at Kenya's Central Bureau of Statistics (CBS)—is best refuted by Judith Heyer, whose research in rural Kenya goes back to 1964:

CBS is a large organization whose capacity has been built up over a considerable period of time, the product of experience as well as training, and institutional as well as individual development. CBS has a most impressive capacity to do a great deal of high quality, detailed, continuing work on matters of central concern to the Kenya government. . . . It also has the most impressive capacity to conduct rural and urban surveys, and to provide technical advice on statistical


30. Himbara, *Kenya Capitalists*, p. xi. Firstly as we shall see, the Moi government's propaganda against 'corruption' in organized agriculture need never be taken at face value. Neither the Coffee Growers Association (an effective farmers' lobby de-registered by Moi in 1988 because it had resisted political meddling in the coffee sector) nor the KDTA ever were 'regulatory agencies'. At the same time that research in the agricultural sector was said to be impossible, Barbara Grosh was completing her outstanding Berkeley dissertation which included a detailed survey of agricultural parastatals, whose results contradict the theme of African mediocrity. This author was working on the structural transformation of the coffee sector between 1986 and 1990.
None of this excuses the administrative depravity of the Moi years within CBS; but it does introduce a sense of proportion. Written after an extensive survey and seminars with CBS staff in 1989, at exactly the same time that Himbara saw that agency disintegrating under the weight of African inefficiency, surviving only courtesy of a handful of Western expatriate managers, it says much about the self-confirming character generically assumed by oracles and closed systems analytical models.

The rambling literature on the social-cultural origins of economic decay in Kenya, especially over the Moi years, could be divided into four areas of concentration: the basis of the robust macro-economic indicators in the ‘miracle years’ between 1964 and 1988; repeated failure of African entrepreneurship; problems in the parastatal sector; and, corruption and inefficiency in the public sector under African management.

*Origins of Kenyan ‘exceptionalism’ in the ‘miracle’ years*

With the benefit of hindsight, economic disasters tend to provoke an exaggerated and pessimistic fixation on previous failures that were overlooked in the preceding years of prosperity; a phenomena termed ‘fracasomania’ by Hirschman based on his early observations in Latin America. Not surprisingly, the economic pathology of the Moi years had led post hoc doubts as to whether Kenya’s outstanding economic performance in the decade after independence owed anything to Africa entrepreneurship and state management. Richburg and Kaplan obviously think not. This is also the import of Himbara’s data, culled from a sample of 100 (out of 600) companies with a capital value of at least 100 million Kenya shillings in the KAM register, 85 percent of which turned out to be owned by Kenyans of Indo-Pakistani descent. On the whole Asian firms in the sample were less susceptible to bankruptcy than African and European-owned ones. In quick succession, Kenyan Asians were then designated as the only authentic class of local ‘accumulators, and ‘pioneers of accumulation’ with business roots going back to the last century ‘who spearheaded accumulation in almost all historical phases’. In contrast to the pathetic Kikuyu political capitalists, (and black parliamentarians who are upbraided for ‘savage’ attacks on His Highness the Aga Khan), Kenyan Asian entrepreneurs are uniformly paraded as resourceful, ‘enterprising’, and ‘experienced’.

32. Albert O. Hirschman, *Journeys Toward Progress* (Twentieth Century Fund, New York, 1963). Hirschman notes the monotonous recurrence of the term ‘total failure’ (so prevalent in *Kenyan Capitalists*) under the ‘fracasomania’
Ethnic adulation, however, is not a recognized method of explaining sources of high economic growth. The most objective approach in pinpointing the sectoral origins of Kenya’s most robust phase of economic expansion would have been to calculate Total Factor Productivity (TFP) by sector. \(^{33}\) Rising TFP, reflecting the ability to squeeze more output out of the same (or lower) factor inputs, has an added advantage: it serves as a proxy for the technical innovation and the ‘ingenuity’ Africans are said to lack. Although we have not encountered a full scale evaluation of this kind in Kenya, available evidence provides little comfort to the opinions of Himbara and Kaplan. In assessing the country’s outstanding performance from 1964 through the mid-1980s, the engine of growth by all professional accounts lay not in immigrant groups but in African-run smallholder agriculture, the supposed source of African cultural and economic pathology. Despite the many tribulations visited this sector by the Moi regime, this was still the case in the mid-1990s, when the combined efforts of domestic agrarian opposition and stop-go economic liberalization, imposed by western donors, were beginning to show some gradual positive results.

Despite officially-sanctioned price distortions against farming, and the incentives extended to manufacturing by the state, small-scale farmers maintained efficiency superiority in production over domestic industry, not to mention foreign competitors, by a wide margin. After assessing inter-sectoral usage of labour, imports, and capital per unit of output in 1975, a major World Bank survey remarked that ‘investment in agriculture contributed more to development at less cost, than any other kind of investment’. \(^{34}\) It was known by the mid-1970s that sections of the tariff-protected import-substitution industries in Kenya were characterized by negative value-added, and used more foreign exchange than they generated. \(^{35}\) Despite the bombast on inefficiency of African producers compared to their counterparts in Asia and elsewhere, arabica coffee production in metric tons per hectare in Kenya’s Central Province, the hub of the country’s smallholder commercial agriculture, averaged 897 between 1979 and 1989, compared to 691 for Colombia, 669 in India and 623 in Indonesia. \(^{36}\) As an efficiency index, output per hectare is of course inadequate because it ignores other factor and intermediate inputs. But


from the work of Barbara Grosh we have evidence of remarkable decline (87 percent) of real unit costs of production of capital employed in the tea industry between 1964 and 1987 and of even greater efficiency in annual operating costs.\textsuperscript{37} In the coffee sector, research demonstrates that for all their problems, co-operatives in Kenya's Central Province had an overall efficiency edge in the continent by most criteria.\textsuperscript{38} By the 1990s, horticultural exports by large and small scale farms were cited as a successful example of diversification of agricultural exports, having grown from nothing at independence in 1963 to 4 percent of total exports in 1987, about the same ratio as Kenya's manufactured exports net of re-exports.\textsuperscript{39}

In an increasingly globalized market, the acid test of sectoral efficiency remains the ability to expand market share in the face of external competition. Kenya farmers doubled their global market share of coffee and tea (only 9 percent of which is domestically consumed) between 1967 and 1987, while the ratio of exported to total manufacturing fell from 20 percent in 1964 to 10 percent in 1984.\textsuperscript{40} Despite the buffeting it had received from the Moi government, Kenya's (predominantly) smallholder farm sector produced a record 244,500 tonnes of tea in 1995, threatening to overtake Sri Lanka as the world's second largest source of black tea.\textsuperscript{41} While reproaching the independent Kenyan government for its incompetence and inability to secure protected national and African regional markets for local manufactures, Himbara asserts that the decline of Kenyan Asian external markets was occasioned by the collapse of the East African common market in 1977, a reflection of economic ineptitude attributed to Kenya's political leadership.\textsuperscript{42} In fact, as Sharpley and Lewis demonstrate, the loss of regional market share of Kenyan manufactures was already in progress as early as the mid-1960s, the heyday of East African cooperation. The principal reason, a World Bank industrial sector review in 1983 remarked, was 'high cost and low quality of Kenyan consumer goods' that had led to the poor competitiveness of the country's manufactures.\textsuperscript{43} The linkage between lack of competitiveness in the manufacturing sector and industrial protection was underscored by Arvind Barve, previous head of Kenya External Trade Authority, Kenyan Asian,

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\item \textsuperscript{41} \textit{Financial Times}, June 20 1996.
\item \textsuperscript{42} Himbara, \textit{Kenyan Capitalists}, pp. 138–40
\item \textsuperscript{43} World Bank, \textit{Kenya: growth and structural change} (World Bank, Washington DC, 1983), p. xix
\end{enumerate}
and one of the most accomplished public servants ever to work in the trade sector. The two sub-sectors of Kenyan industry that demonstrated capability to expand external market shares, refined petroleum products and cement, were dominated by multi-national corporations with substantial African and foreign management.

Moreover, it is analytically fatal to trumpet the supremacy of manufacturing in moving the economy, independently of inter-sector resource flows. For Kenya, it is worth noting that most expansion in the industrial and consumer goods sector—69 percent of manufacturing output between 1964 and 1984—was derived from domestic demand in the captive African consumer sector in agriculture. As Cowen and MacWilliam observe, citing John Zarwan’s work on Oshwal (Asian) commerce and industry in Kikuyu country, this trend is the exact opposite of what Himbara and Kaplan propose. Yet in the interests of import substitution, the Kenya government, like most developing countries from the 1960s on, instituted a range of policies—a moderately over-valued exchange rate, quantitative import controls, high import tariffs on consumer goods, low capital goods taxation, sub-market interest rates, and fiscal subsidies—all with the goal of stimulating local manufacturing. In an economy with only two categories of tradeables, farm goods and manufactures, these policy instruments penalized agriculture to the same extent that they subsidised industry. For that reason, household expenditure analysis from Central Kenya on the proceeds of the 1975–83 coffee boom, as conducted by Bevan, Collier and Gunning, reflected short-run income redistribution from farmers to construction and the protected import-substitution firms that Himbara credits with ‘spearheading accumulation’. With a smallholder coffee sector savings ratios estimated by the Bevan-Collier-Gunning study at 60 percent in those years—higher than that of South East Asia or Nairobi’s KAM factories at their best—it is evident that ‘accumulation’ (understood more precisely as generation of investible surplus above consumption) was taking place in the first instance in smallholder commercial agriculture. And what is more, by putting pressure on the supply of investment goods (in a protected market), the coffee farmers ended up tilting the domestic terms of trade against themselves even more.

In work spanning over two decades in fact, Sharpley has estimated net capital outflows out of agriculture via adverse internal terms of trade incurred through such regulatory policies, at an average of 58 percent of

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Kenya's gross capital formation between 1964 and 1977, and just as substantial in the 1980s. World Bank efforts to dismantle this structure and replace it with a more internationally-competitive one in the 1980s and 1990s met little success. This is because, as a Bank study in 1994 remarked, 'the uneasy yet mutually accommodating relationship between Asian-Kenyan entrepreneurs and African Kenyans in political power created a highly protected, uncompetitive and oligopolistic industrial structure'. These 'sweetheart deals' are the opposite of the antagonistic tendencies of the Moi state to the Kikuyu and to export-crop agriculture; and the fierce manner in which kinship-based Asian cartels sought to protect their privileges in the face of economic liberalization in the 1990s should not be underestimated.

African entrepreneurship

The oracular, self-confirming observations are amplified in explaining the failure of African entrepreneurs in two periods, following the Second World War and then after independence in 1963. It bears recalling that in modern business analysis, wider opportunities and a free 'enabling environment' play a greater role than individual initiative in explaining commercial success. The racially-discriminative nature of colonial business and agrarian law, and its impact on Kenyan Africans, has been detailed by Ghai and McAuslan, while Throup has described efforts to ameliorate the situation in the closing years of the Mitchell governorship (1948–52) as too little, too late. In the eyes of the new revisionist history, however, obstruction of African business under colonial rule is portrayed as a carefully-cultivated 'myth', citing as evidence the limited credit and training opportunities open to Africans since the Mitchell years, and wholly oblivious to the impact of the systemic injustices of the era and the rebellion they provoked in Mau Mau.

50. See Coughlin, 'Towards a New Industrialization Strategy' pp. 281–82; and 'US Businessman Gambles in Kenya', USA Today, 30 October 1995, for the nefarious extent to which some of the Asian companies have gone to ward off external competition.
at Karatina and Kerugoya, cited as one contributing factor to the discontent that fuelled the Mau Mau revolt. Fed by Kikuyu outgrowers, and established by the colonial government to supply dried vegetable to the British forces in the Middle East, the firms were a commercial and agricultural success when, in a move that anticipated the problem of state divestiture in the Moi years, the government resisted local demands to transfer total factory ownership to the United Companies of Mumbi, a Kikuyu public company which had collected 600,000 Kenya shillings (51 million shillings at 1994 prices) from ex-soldiers gratuities and farm savings. Pleading lack of business experience among the Kikuyu, and facing an imminent growers' boycott, the government closed the factories in 1946, after a futile 'propaganda' campaign (as Rosberg and Nottingham describe it) against the buyers and Kikuyu business capability; as if banishment from business would have given Africans the commercial experience they were said to lack. But it would also appear that Mitchell's decision to close the factories was motivated by his knowledge that newly-introduced (and cheaper) American freeze-drying technology would in any case have driven the two factories to financial ruin, further aggravating the already testy Kikuyu investors. Still, against the wider restrictions facing Kenyan Africans in the 1940s, one would judge this degree of determination and mobilization of funds as symbolic of entrepreneurial ferment. Indeed it would be worth comparing these funds, as a proportion of Kikuyu incomes, to the savings ratio of demobilized Kenyan Asians and Europeans, not to mention other Africans, that went to the formation of joint-stock public corporations. But in the new upside-down world of Kenyan business history, the Kikuyu factory-buying effort is portrayed as evidence of African economic naiveity, given their 'lack of basic understanding of business goals' and propensity for fraud. Like among Evans-Pritchard's Azande, the biased but confirmatory opinion of colonial propaganda that Kikuyu lacked business experience is itself cited as evidence of the new bias that they could not match the commercial acumen of Asians and Europeans then, and cannot therefore possibly do so now.

The same strategy is pursued in announcing the demise of the African post-independence business class, solely by dint of its absence in manufacturing and high public office. In part at least, the absence is a result of the enforced economic exile and expropriation of the Kikuyu under the Moi

55. I owe this point to an anonymous reviewer of this article. Mitchell could not even persuade Machonochie, the British canners, to invest in the factories.
56. Kenyan Capitalists, p. 77.
government as shown by the case of Madhupaper International in 1989. After winning support for a $900,000 loan from the World Bank’s International Finance Corporation in 1985, Madhupaper International (a Kikuyu-owned paper products manufacturer) was subsequently hounded out of existence by a combination of political manoeuvre (notably the abrogation of access to logging in public forests) and recall of loans by state banks. In his 1990 sample of 36 successful entrepreneurs in sub-Saharan Africa, however, Keith Marsden located three Kikuyu-owned firms, respectively in leather manufacturing, horticultural export, and the hotel industry. As the grip of the Moi government on the agricultural processing sector began to weaken in the 1990s, the result of domestic political pressure and donor conditionality, three African-owned companies opened coffee mills at Thika, near Nairobi, and there were intentions by farmers to open factories elsewhere. One of the largest financial and trading conglomerates in Eastern African, comprising the Insurance Company of East Africa, AM Bank and First Chartered Securities, was African-owned; and its owner was a candidate for Forbes magazine list of the richest people in the world. But to sustain the fiction of consistent and pervasive African business failure, African commercial success is parried whenever encountered. Or in Himbara’s case—downplaying the profitable African-run (or owned) Unga Ltd, Alliance Hotels, and Kenya Breweries—attributed to non-African managers. This is a typical Lakatos case of ad hoc dodging of refutation since no corresponding credit is given to African managers (or labourers) employed by ‘successful’ Kenyan-Asian firms, even though they too must surely have contributed to profitability. Conversely, Himbara and Kaplan see no failed Asian enterprises, though they are well documented by Coughlin, for instance, in the textile sector. Then there is the ultimate irony. Contrary to the supposed Africa ineptitude, the spectacular binge of early 1990s multinational take-overs, involving Union Carbide, Marshalls Motor Company, Twentieth Century Fox, Firestone International, etc, by a group of Kenyan Asians in alliance with top Kalenjin politicians, using commandeered state resources, are proudly paraded as ‘the latest trend in (Kenyan Indian) patterns of accumulation’ to illustrate Asian business acumen.

59. Economic Review, 29 January 1996, on coffee factories, and 22 July 1996, where farmers in Mukurwe-ini, Nyeri District, were reported to have raised 40 million shillings to construct a dairying plant.
'Collapsed' parastatals

While not entirely mistaken, the popularization by the Bretton Woods institutions of the notion that state-owned enterprises were partly responsible for the mounting African fiscal deficit and internal price distortions comes in handy to those with preconceived biases. In a painstaking financial analysis of 32 Kenya public enterprises, covering agriculture, finance, energy and infrastructure, and accounting for 90 percent of all government-funded corporations in Kenya, Barbara Grosh revealed the wide variation in their performance between 1963 and 1988. Subjected to the criteria of rate of return in investment, (i.e. pre-tax profits plus interest payments as a percentage of long-term investment) and using external-audit and other reports, Grosh found that half the companies passed the test of 'efficiency and profitability', in some cases (notably in finance, manufacturing and agricultural processing) out-performing the private sector. In the remaining half of the firms, problems of under-capitalization accounted for more losses than did the much-touted African corruption and mismanagement. Over these years economically-disastrous performance was an isolated phenomenon that had crept in especially during the Moi era. Since the publication of the Grosh book the ruin of the parastatals has, of course, accelerated: the Kenya National Assurance, Kenya Housing Corporation, and Nzoia Sugar Corporation have gone into receivership, as should have the National Bank of Kenya and Kenya Railways. Any objective analysis of the parastatal sector must therefore account for inter-firm variation as well as the managerial differences between the Kenyatta and Moi years. For the picture is infinitely more nuanced than is suggested by the cavalier pronouncement that 'hardly any observer had been able to candidly assess the progress, if any, being made by public corporations . . . [since] . . . most parastatals existed in name only'.

Against the backdrop of the presumed African ingenuity deficit in the public enterprise sector, special mention must be made of the entrepreneurial and innovative capability displayed by Charles Karanja who, with 'a ruthless commitment to efficiency that characterized his career' according to Leonard, steered the KTDA, the organ of small scale tea farmers, from a fledgling institution in 1964 to become 'the world's top producer of quality tea'. Under this tenure, foreign managerial assistance fell to nought. At the same time, KTDA unit costs fell by 90 percent between 1965 and 1988, with farmers earning upwards of 85 percent of border

export tea process. Not only had smallholder tea production efforts previously failed in South Asia, but the Kenyatta government faced stiff opposition from the donors, including the World Bank and the Commonwealth Development Corporation, who had doubts about its financial viability and the competence of African smallholders. Despite much buffeting by the Moi government, household incomes from Kenya tea rose to thrice the national average in 1995. Grosh reports a 4 percent annual rate of return on capital at KTDA, while a World Bank evaluation estimated KTDA’s social cost/benefit ratio at 28 percent annually; performance in most, though not all, state-run bodies in the banking and industrial sectors outstripped the private sector. However, in Himbara’s assessment, backed essentially by press headlines, ‘the new institutions created after independence were hopelessly ineffective, almost from the start’ necessitating the recruitment of expatriate managers.

**Financial corruption in government ministries**

In his umbrage against the extreme dependency writings on Kenya of the 1970s, notably those of Kaplinsky, Leys had noted their tendency to disparage any economic progress involving colonialism, multi-national corporations and their African ‘auxiliary bourgeoisie’, as transitory, unbalanced and doomed, especially when data pointed otherwise. In the age of right-wing triumphalism, the shoe is now on the other foot as, in Azande oracular style, colonialism, international corporations and donor agencies, like the World Bank, IMF, and the Canadian International Development Agency (CIDA), are portrayed as saviours in comparison to the malignant African development managers and their traditional following. The resulting lack of any sector-based or inter-temporal sense of proportion leads to the most unconscionable conclusions.

Thus even though Kenya’s receipts of official development assistance per capita between 1981 and 1985 ($24.30) and aid ratio of GDP (7 percent) were typically about or below average for Sub-Saharan Africa, the revisionists now contend that Kenya’s relative prosperity owed much to special favours from western donors. Whereas Tignor, looking at the ill-advised European official discrimination against Asian manufacturers after the Second World War, was convinced that ‘economic and financial experts in (colonial) Kenya were individuals with modest expertise in economics and management, we are now informed that independent Kenya inherited a ‘remarkable state apparatus that had successfully marshalled…

development since the 1940s' presumably including the Mau Mau war.69 There is no room here for the well documented corruption of colonial European and Asian civil servants, especially in the Public Works Department, or of Governor Baring's secret payment of 20,000 pounds sterling to Justice Thacker, who returned a guilty verdict against Jomo Kenyatta and his associates at the infamous Kapenguria trial of 1953.70 Richburg and Himbara lecture Africans on public infrastructural efficiency in South East Asia, oblivious of the fact that growth has gone hand in hand with congestion and power failure in Bangkok, coastal China, Djakarta, and Manila, all resulting from what Jim Rohwer, an expert in the region, calls 'bad government ... and the colossal sums of expenditure ... inviting proportionally colossal bribes', and with unsavoury and corrupt 'crony' capitalism most evident in Indonesia.71 At this biased rate it as only a matter of time before Kenya's monumental Goldenberg scandal, in which the state lost US$455 million (12 percent of GDP) between 1991 and 1993, was foisted by Himbara on African bureaucratic inefficiency in the Kenya Treasury, even though the perpetrators were known to be Kenyan Asian 'bankers' in league with the political barons of the ruling KANU party, a practice still prevalent in 1997.72 Despite corruption at the Nairobi Treasury in the Moi years, such disparagement of Kenya's finance managers does injustice to the well-documented integrity of such officials as Harris Mule, and the Controller and Auditor General, D. G. Njoroge.73 To put the matter in perspective, not only had the World Bank judged Kenyan public financial management in the 1970s 'excellent and particularly praiseworthy', but the IMF was then using Kenyatta's Kenya as a model in its fiscal policy workshops.74 So much for uniform African financial mismanagement in Kenya since independence.

Conclusion: 'Arise Lazarus!'

From the foregoing, it ought to be evident that credit for economic growth in Kenya could be claimed (if unevenly depending on the era and the sector) by citizens of African, Asian and European origin; the destruction that followed 'the miracle years' was also wrought by a multi-racial but

African-led group with prominent Asians and whites. This reduces the significance of culture and race as predictors of overall economic performance and management. Warning about the potential for abuse inherent in the resurrected development literature on 'culture' as a determinant of business behaviour, Mick Moore remarks that 'the social barriers paradigm is in most respects misconceived, and based on virtual ignorance of the world of business. In so far as the major propositions can be tested, they are empirically false. It appears in retrospect as a classic case of the world being constructed on doctrinal lines to the neglect of evidence.\textsuperscript{75}

In the search for a new paradigm of capitalism in Africa especially, it should never be forgotten that this is not the first time that cultural stereotype has been called upon to explain the continents relative backwardness. As Leys remarked in 1974, speaking of 'tribalism' as a peculiarly African affliction: 'People (in the past) frankly declared that Negroes had smaller brains'.\textsuperscript{76} In 1996 an economics professor at the University of New Orleans resumed the defence of the black-smaller-brains thesis, not long after Herrnstein and Murray had propounded the argument that Asian-Americans by a large margin out-performed African-Americans in IQ scores (and economic aptitude), concluding that the cause was essentially genetic.\textsuperscript{77} In a sense we are back to square one, and not least due to the incredible chicanery of the predators who claim to rule such states as Kenya, Nigeria, and Cameroon, and their local and external mentors, all of whom provide ample daily evidence to the race-and-economy theorists of African caprice and nihilism in the midst of poverty and so much human suffering.

Times are hard for Africa, Africans, Africanists and African studies. This may explain why, apart from isolated cases like Kenya, the risen culture-and-capital debates are not an intellectual priority as yet. Still, Kenya has been a trend-setter more than once. For that reason and for the sheer degree of desperation in African development generally, we must nevertheless continue the search for objective explanations of not only why African countries have fallen so much behind South East Asia in the struggle for economic development, but also why there are such glaring differences in material achievement between immigrant groups (like 'Asians' and 'Lebanese') on the one hand and Africans on the other, and between the African communities themselves. Economic inequalities between 'Asians' and Africans, and between the Kikuyu and other Kenyan

\textsuperscript{77} See \textit{Chronicle of Higher Education}, 1 November, 1996. Richard Herrnstein and Charles Murray, \textit{The Bell Curve}, pp. 288–9, state that African IQs are probably inferior to African-Americans, which puts Africans (in their view) way below Asian-Americans.
Africans, and the shrewd manner in which the Moi regime has exploited them for its own ends, lay behind the tragedy of Kenya in the 1990s.

In the search for solutions, two explanatory factors stand out. Firstly, the need for an 'enabling' law-driven governance framework, deregulation, and a stable macro-economic environment, should not be underestimated whatever one thinks of the international financial institutions like the IMF and the World Bank, which have been working clumsily and ineffectively with the Moi government toward those ends. Secondly, and perhaps more importantly, at the community level 'social capital' may be a more appropriate development determinant (especially when added to the right legal and macro-economic policies) than the amorphous 'culture'. Social capital varies with community not ethnicity. Because it is premised on the intensity of voluntary civic engagement by private citizens, it is therefore a malleable human artifact; it makes for a rapid 'supply response' to new opportunities, and like physical capital it is subject to depreciation if not kept in good repair.78 The interface between a liberal economic environment and civic action may explain better the commercial differences between various 'Asian' groups in Kenya as well as the variations in entrepreneurship within African communities. That task is yet to be broached but it now should be. In its current decrepit status the last thing the Kenyan economy needs is the inflammatory racial language produced by some of the protagonists and by their acolytes in Nairobi and North America.