Colonial Legacies and Institutional Persistence: A Political Economy Reappraisal of Kenya's Developmental Constraints Through The Acemoglu–Johnson–Robinson Framework

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Abstract- This article discusses the contribution of institutions to economic growth and specifically to Kenya by reinterpreting the powerful work of Acemoglu, Johnson, and Robinson. Their research highlights that political and economic institutions, and not geography or culture, are the ultimate causes of wealth. Using the case study of Kenya, this paper focuses on the long-term legacy of colonial extractive institutions and how they continue to exacerbate current problems including poor property rights, corruption, and political disenfranchisement. Analysis examines the longevity of these institutions and points towards the requirement for reform to promote inclusive economic development. By synthesizing empirical evidence and theoretical insights, the paper proposes policy recommendations for institutional reform in Kenya, including strengthening property rights, combating corruption, and enhancing political inclusivity. The research highlights the critical role of strong, equitable institutions for attaining long lasting economic prosperity as well as provides actionable roadmaps for how Kenya can overcome legacies of barriers.

Indexed Terms- Institutions, Economic growth, Kenya, colonial legacy, extractive institutions, political inclusiveness, property rights, corruption, institutional reform.

I. INTRODUCTION

Understanding the roots of economic prosperity remains a central challenge for scholars and policymakers worldwide. This paper examines the pivotal role of institutions in driving economic development, drawing on the influential research of Acemoglu, Johnson, and Robinson. Their work challenges conventional wisdom by demonstrating that political and economic institutions, rather than geography or culture, are the fundamental determinants of a nation's success. By analysing historical patterns—particularly the impact of colonial legacies—this study explores how the persistence of extractive institutions has contributed to enduring economic disparities.

Focusing on the case of Kenya, a nation deeply marked by its colonial past, the paper investigates how institutional frameworks established during colonial times continue to shape contemporary governance and economic outcomes. Kenya's challenges—including insecure property rights, corruption, and political exclusion—illustrate the broader implications of institutional rigidity and highlight the urgent need for reform. Drawing on empirical evidence and theoretical insights, the analysis synthesizes literature on both inclusive and extractive institutions while also addressing critiques related to the measurement of institutional quality and methodological approaches.

Ultimately, this paper argues that robust and inclusive institutions are essential for sustainable economic growth. By outlining policy recommendations tailored to Kenya's unique context, it offers a strategic roadmap for overcoming historical constraints and achieving long-term development. Through a critical review of past and present institutional dynamics, this study contributes to a deeper understanding of the pathways toward economic resilience and prosperity. In doing so, the paper offers a critical perspective on the power of institutional reform.

II. OBJECTIVES

This paper explores the role of institutions in economic prosperity, based on the work of Acemoglu, Johnson, and Robinson. Their research highlights that political and economic institutions, rather than geography or culture, drive development. By analyzing historical patterns, particularly colonial legacies, the paper examines how institutional persistence influences economic disparities.

It synthesizes findings on extractive versus inclusive institutions and their long-term economic impacts, supported by empirical evidence. The paper also addresses critiques of their methodology, including challenges in measuring institutional quality.

Applying these lessons to Kenya, the paper highlights institutional challenges rooted in colonial history. Key areas for reform include property rights, corruption, political inclusivity, and economic diversification. By focusing on governance and institutional resilience, the paper offers policy recommendations for inclusive economic growth. Ultimately, it underscores that strong institutions are crucial for sustainable development.

III. LITERATURE REVIEW

Economic disparities across nations have long puzzled scholars. The 2024 Sveriges Riksbank Prize in Economic Sciences was awarded to Daron Acemoglu, Simon Johnson, and James A. Robinson for their research on institutions and prosperity. They argue that political and economic institutions, rather than geography or culture, determine economic development. This literature review synthesizes key contributions from their research and its academic implications.

Institutions and Economic Prosperity

Institutions—formal (laws, regulations) and informal (norms, traditions)—shape economic and political interactions. Acemoglu, Johnson, and Robinson (2001, 2002) used European colonial history to establish a causal link between institutions and economic performance. Colonizers set up extractive institutions where settlement was difficult and inclusive institutions where they settled in large numbers. These choices had long-term effects on economic growth.

The Colonial Experience and Institutional Persistence

Their research shows that colonial strategies explain economic disparities. Their 2001 paper linked settler mortality rates to institutional quality and economic performance. Using historical mortality data, they showed that lower settler mortality correlated with better institutions and higher income levels today. This "reversal of fortune" hypothesis suggests that once-prosperous societies (e.g., the Aztec and Inca empires) declined due to extractive institutions, while sparsely populated areas like the U.S. and Canada benefited from inclusive institutions.

This work inspired further studies. Dell (2010) showed forced labor systems in South America led to lower economic performance, while Nunn (2008) found that the transatlantic slave trade had long-term negative effects on African economies.

Theoretical Foundations of Institutional Change

Acemoglu and Robinson (2006, 2012) developed a framework explaining why inefficient institutions persist. Elites resist reforms because institutions serve their interests. Even when economic growth suffers, they maintain extractive institutions to retain power. Commitment problems also play a role promises of reform lack credibility if political power remains concentrated.

Their model integrates modernization theory (Lipset, 1959), which argues economic development leads to democracy. However, they suggest democratization depends on interactions between elites and citizens. Their research finds that economic crises often precede democratization (Boix & Stokes, 2003).

Empirical Studies on Institutional Persistence

Empirical studies have expanded their findings. Banerjee and Iyer (2005) found British colonial land tenure systems in India affected long-term economic outcomes. Michalopoulos and Papaioannou (2013) showed that pre-colonial ethnic institutions in Africa influence contemporary development.

Legal origins also play a role. La Porta et al. (1997, 1998) argued that common law systems inherited from British rule provide better investor protection and economic growth than civil law systems from French and Spanish traditions, aligning with Acemoglu and Robinson's findings.

Challenges and Critiques

Their work faces critiques. Measuring institutional quality is difficult. Many studies rely on subjective indices like protection against expropriation risk (Coplin et al., 1991). Glaeser et al. (2004) argued that human capital, not institutions, drives growth. Acemoglu, Gallego, and Robinson (2014) countered that human capital development depends on institutional quality.

Another debate concerns their instrumental variable approach. Albouy (2012) questioned the validity of settler mortality as an instrument. Though refinements have been made, isolating institutional effects remains challenging.

Policy Implications

Their research suggests economic strategies should prioritize institutional reform. The World Bank's 2017 report and the United Nations' Sustainable Development Goals emphasize governance and institutional quality.

Implementing reforms is difficult. Their findings suggest democratization emerges from social and economic pressures rather than top-down policies. Strategies that empower civil society and promote accountability are more effective than externally imposed reforms.

IV. STARK LESSONS FOR KENYA FROM INSTITUTIONAL

The research of Acemoglu, Johnson, and Robinson (2001, 2002) highlights the critical role of institutions in shaping economic prosperity. Kenya, like many post-colonial nations, faces challenges stemming from its historical and institutional legacy. Examining the lessons from their work can offer valuable insights into Kenya's economic and political trajectory, emphasizing the importance of inclusive institutions, governance reforms, and long-term institutional resilience.

The Role of Institutions in Kenya's Economic Development

Kenya's economic performance is deeply linked to its institutional framework. Colonial legacies have left extractive institutions that continue to shape governance and economic policies. The country must shift toward inclusive institutions that encourage investment, innovation, and equal opportunities.

One key lesson from Acemoglu and Robinson is that political institutions shape economic institutions, which in turn determine economic outcomes. Kenya's political history is marked by centralized power, corruption, and weak property rights enforcement—factors that hinder economic growth. Addressing these institutional weaknesses is crucial for sustainable development.

The Colonial Legacy and Institutional Persistence

Kenya, like many African nations, inherited extractive institutions from colonial rule. The British administration established systems favoring a small elite while suppressing broad-based economic participation. Post-independence, these structures persisted, concentrating wealth and power in the hands of a few, leading to economic inequality and inefficiencies.

Acemoglu et al.'s "reversal of fortune" hypothesis suggests that historically prosperous regions that inherited extractive institutions struggle economically today. Kenya exemplifies this, as its resource-rich areas often suffer from poor governance and mismanagement. Land tenure insecurity, a remnant of colonial land policies, remains a significant obstacle to investment and agricultural productivity.

The Need for Institutional Reform

1. Strengthening Property Rights

Secure property rights are fundamental to economic development. Kenya has a long history of land disputes, often exacerbated by weak legal frameworks and political interference. Implementing transparent and enforceable land ownership laws can enhance investment confidence and agricultural productivity.

2. Combating Corruption

Corruption weakens institutions and discourages economic participation. Kenya must strengthen anti-corruption frameworks, ensuring accountability in both public and private sectors. Lessons from countries with strong institutions show that independent judiciary and law enforcement agencies are critical in curbing corruption.

3. Enhancing Political Inclusivity

Political institutions influence economic institutions. Kenya’s history of political exclusion, ethnic-based favoritism, and election-related violence undermines economic stability. Adopting governance reforms that promote inclusivity, decentralization, and equitable resource distribution can foster long-term economic growth.

Empirical Evidence from Kenya

Studies on Kenya’s economic performance reveal a strong correlation between institutional quality and development outcomes. For instance:

- The inefficiencies of Kenya’s legal system discourage investment and business growth.
- Weak enforcement of contracts and property rights increases transaction costs, reducing competitiveness.
- Politically motivated economic policies lead to instability, deterring long-term investments.

Banerjee and Iyer (2005) showed that land tenure systems in colonial India had long-term effects on economic productivity. Similarly, Kenya's land policies continue to impact rural development. Reforming these institutions is essential for equitable economic growth.

Lessons on Democracy and Economic Growth

Acemoglu and Robinson’s framework highlights that democracy alone does not guarantee prosperity—strong institutions do. Kenya has made progress in democratic reforms, but challenges remain in ensuring that democratic institutions function effectively. Political interference in economic institutions undermines their ability to foster development.

Research suggests that democratization is more likely to succeed when it arises from societal pressures rather than top-down initiatives. Civil society and grassroots movements in Kenya play a crucial role in pushing for governance reforms and greater accountability.

Challenges and Path Forward

Institutional Rigidity

The institutional framework of Kenya has resisted change owing to the entrenched interests of the elite. What it takes to undo this is a consistent political will, and a bottom-up mobilization.”

Economic Diversification

Kenya’s reliance on only a few sectors of the economy (e.g. agriculture and tourism) makes it vulnerable to shocks from outside the country. Economic institutions that encourage industrialization and technological innovation could improve economic resilience.

Judicial Independence

A strong, independent judiciary is key to upholding property rights, enforcing contracts and curbing corruption. Strengthening institutional reforms limiting judicial autonomy can help augment investor confidence and the related legal stability.

CONCLUSION

According to the research that Acemoglu, Johnson and Robinson have completed, there are several institutional reforms that can be implemented in Kenya in order for the country to truly become successful and prosperous in the long term. Fighting Corruption and Promoting Property Rights in Kenya Therefore, it is important that as we fight for a better Kenya, we get corruption under control, property rights reinforced and a system of politics that is more inclusive. Some progress has been made but much more remains to be done to guarantee that Kenyan institutions can promote inclusivity rather than perpetuate the historical inequalities. In the end, it is institutional strengthening that will be the bedrock for Kenya's long

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