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Income Inequality and Wage Differentiation

Lukkari, Valeria

2024

Document Version:
Publisher's PDF, also known as Version of record

Link to publication

Citation for published version (APA):
Lukkari, V. (2024). *Economic Disparities in Colonial Kenya: Income Inequality and Wage Differentiation*. [Doctoral Thesis (compilation), Lund University School of Economics and Management, LUSEM]. Media-Tryck, Lund University, Sweden.

Total number of authors:
1

LUND UNIVERSITY

PO Box 117
221 00 Lund
+46 46-222 00 00

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VALERIA LUKKARI

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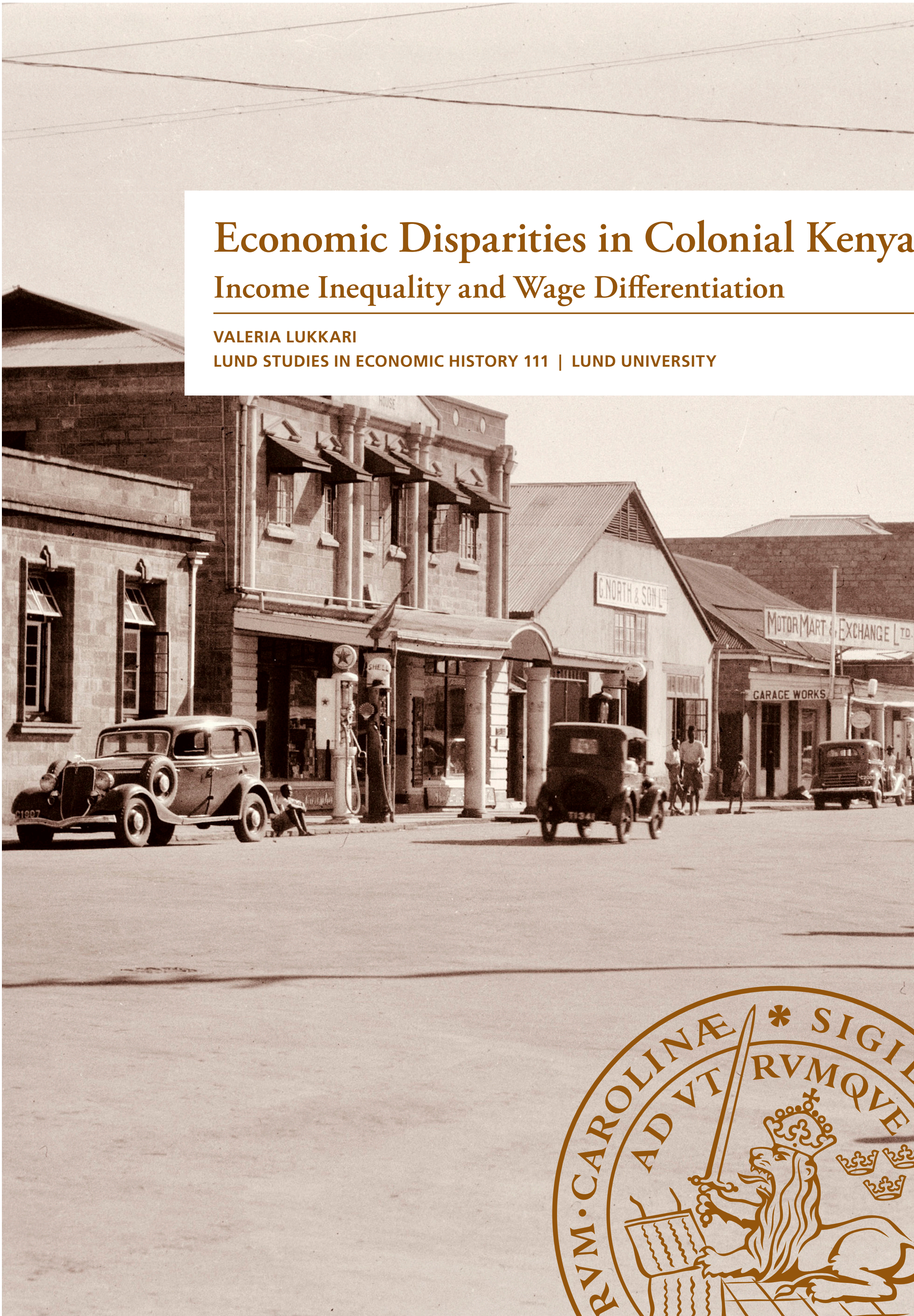

Economic Disparities in Colonial Kenya

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Income Inequality and Wage Differentiation

Valeria Lukkari

DOCTORAL DISSERTATION

Doctoral dissertation for the degree of Doctor of Philosophy (PhD) at the School of Economics and Management at Lund University to be publicly defended on September 20 at 10.15 at EC3:211, Department of Economic History.

Faculty opponent
Professor David Anderson

Organization: LUND UNIVERSITY

Document name: Doctoral Dissertation

Date of issue: August 30, 2024

Author: Valeria Lukkari

Sponsoring organization:

Title and subtitle: Economic Disparities in Colonial Kenya: Income Inequality and Wage Differentiation

Abstract:

Economic inequality is at the core of the development issues of many countries in sub-Saharan Africa, including Kenya. Many researchers also point to colonial history in the quest to explain the high levels of modern-day inequalities. The historiography of Kenya as a discriminatory settler colony is conducive to highlighting the legacies of extractive institutions. The overt racial disparities of this era, however, also disguise subtle developments and differentiation among the indigenous population. The dissertation, thus, investigates the broad questions related to the colonial economic disparities in Kenya by asking: What were the levels and trends of income inequality? What were the drivers of overall inequality? However, it also zooms in on the sector-specific inequalities in the public, private and self-employed sectors, with a particular focus on the African labour force.

This dissertation seeks to address the broad overarching questions in four distinct but closely related papers that, one at a time, narrow the focus from economy-wide trends on specific sectors and the role of the restrictions and opportunities mediated by colonial rule in the overall inequality trends. The papers depart from the previous theories and debates in the historiography of Kenya and elaborate on these by providing both quantitative and qualitative evidence utilising an original dataset collected from the archives and libraries in the UK and Kenya. The dissertation combines the methods of social tables with estimates of real wages, skill premiums, and public-private wage differentials to gain a more thorough understanding of inequality trends each year.

It shows that inequalities measured by the Gini coefficients were relatively low in the early decades of the colonial period but continued to grow over time. This does not, however, mean that the colony was particularly equal since the high Inequality Extraction Ratio throughout the period of investigation indicates that much of the potential inequality was turned into actual inequality. Explanations for this can be found in the institutional framework that created racial disparities. Focus on extractive institutions does, nevertheless, simplify the complex colonial reality, where the dominance of European settlers was challenged by labour protests and political participation by Africans. Meanwhile, the barriers and opportunities of the colonial period distinguished some indigenous groups while others lagged behind.

Key words: Income inequality, Kenya, colonialism, settler colony, sub-Saharan Africa

Classification system and/or index terms (if any)

Supplementary bibliographical information

Language: English

ISSN and key title: 1400-4860

ISBN: 978-91-87793-96-7 (print)

978-91-87793-97-4 (pdf)

Recipient’s notes

Number of pages: 63

Price

Security classification

Economic Disparities in Colonial Kenya

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ISBN 978-91-87793-96-7 (print)
ISBN 978-91-87793-97-4 (pdf)
ISSN 1400-4860

Printed in Sweden by Media-Tryck, Lund University
Lund 2024

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Acknowledgements

Compiling this thesis has been an extensive effort, and recognition should be given to my colleagues, friends, and family, without whom this would not have been possible.

First and foremost, I am grateful to my main supervisor, Ellen Hillbom, for offering me the opportunity to work on this project and allowing me to explore an entirely new field of research. Thank you for co-authoring with me and for spending countless hours reading my work and providing thorough comments that have helped me structure my thinking and become a better writer. Our discussions have always helped me to refocus my work.

Secondly, I am grateful to my co-supervisor, Jutta Bolt, who has shown incredible kindness, support, and patience throughout the entire process. Your encouragement, feedback, and help with data questions were vital for finalising this dissertation. Finally, I would like to extend my gratitude to my co-supervisor, Erik Bengtsson, who believed in me when I was only a master's student. Thank you for always pushing me to think further.

Moreover, I would like to express my gratitude to Jeanne Cilliers, who commented on my thesis draft at the mid-way seminar and helped with practical issues related to the thesis work. I am also thankful to Rebecca Simson and Erik Green, who provided me with valuable input at my final seminar. Thank you, Michiel de Haas, for carefully reading Paper 1 and providing insightful comments. Similarly, thank you, Maria Mwaipopo Fibaek, for your amazing input and discussions regarding this paper and all the support from day one, as well as the practical advice for the archival trip to Nairobi, which was very much appreciated. And finally, thank you, Astrid Kander, for providing perceptive comments for the introductory chapter of the thesis, and Jaco Zuijderduijn, for commenting on the research proposal.

I would like to express special regard to the development group and especially to Sascha Klocke, who has been very helpful with all the challenges I encountered in the writing process and tackling the intricacies of African economic history. And thank you, Igor Martins, for all the countless insightful discussions. It has been a joy to share this journey with Mark Melles, who started in the same cohort and tackled similar issues. Thank you, Mesfin, Prince, Andrés, Nicolai, Emelie, Abel, Ben, Montse, Tobias A., Martin A., and all the wonderful colleagues at the Department of Economic History, especially Marcos, Elisa, Johanna, Jakob H., Johanne, Louise, and of course, Linn Ternsjö, whom I had the pleasure to share an office with. Thank you for making this process so much easier and inspiring.

The time as a PhD would not have been the same without the amazing help and endless patience of Anneli Nilsson Ahlm, together with Tina Wueggertz and Madeleine Jarl. Thank you also to all the colleagues at the African Economic History Network for providing me with essential input during conferences and workshops.

I would also like to thank the Swedish Research Council for providing funding for my position as part of the project *African Elites: Wealth Accumulation and Persistence* (2018-01516) and Stiftelsen för främjande av ekonomisk forskning vid Lunds universitet for providing grants for conferences and my archival trip to Nairobi.

Finally, thank you to my family and Alex for your unwavering support. It means the world to me. Without that, none of this would have been possible, I believe.

List of Papers

Paper I

Lukkari V. (lead author) and Mwaipopo Fibaek M. (2024) *Income Inequality and its Drivers in Kenya, 1921-1960.* [Unpublished manuscript]. Department of Economic History, Lund University. Lukkari V. was responsible for writing the paper, constructing the formal wage sector social tables, combining them with the rural sector social tables, and calculating the various inequality estimates throughout the paper. Mwaipopo Fibaek M was responsible for the construction of the rural sector social tables and the appendix pertaining to the data work regarding these.

Paper II

Lukkari V. (lead author) and Hillbom E. (2024) *Inequalities and Opportunities in Kenya's Colonial Wage Sector.* [Unpublished manuscript]. Department of Economic History, Lund University. Lukkari V. was responsible for data work, the discussion of the results as well as the sections dealing with the Kenya-specific historical background. Hillbom, E. contributed to the framing of the paper as well as took charge of the introduction, literature review, and parts of the methodology section.

Paper III

Lukkari V. (2024) *Exploring the Public Sector Expansion, Occupational Structure, And Public Sector Wage Premium in Kenya Colony.* [Unpublished manuscript]. Department of Economic History, Lund University.

Paper IV

Lukkari V. (2024) *Enterprising Africans: Economic Expansion and Institutional Barriers in Colonial Kenya.* [Unpublished manuscript]. Department of Economic History, Lund University.

1 Introduction

Income and wealth inequalities have both been increasing nearly universally since the 1980s. The World Inequality Report 2022 demonstrates that the wealthiest 10% captured 52% of global income while the poorest half only earned 8% (Chancel et al., 2022). There are also vast disparities between regions, with Europe exhibiting lower levels of inequality, while at the other end, sub-Saharan Africa[1] is right behind the most unequal region of the Middle East and North Africa. Despite the positive strides taken and the uninterrupted economic growth in many parts of sub-Saharan Africa in recent decades (Frankema & van Waijenburg, 2018; McMillan & Harttgen, 2014; Thorbecke & Ouyang, 2016), the advances are volatile, and the region still grapples with challenges related to achieving sustained growth, improving living standards for the majority, and distributing the gains of the growth equally among their populations. To take a case in point, the top 10% in sub-Saharan Africa earn 31 times more than the poorest half of the population, indicating extreme levels of inequality. In South Africa, the incomes of the wealthiest 10% in 2017 were 40 times higher than those of the bottom 40% (Gradín et al., 2021). However, the inequality levels in the region vary significantly from modest to extremely high, calling for a more multifaceted outlook on this diverse region (Frankema et al., 2023).

Kenya falls among the countries with high current levels of economic inequality, although the trend seems to be on the decline, going from 0.470 in 2005/06 to 0.404 in 2015/16 when measured by Gini coefficients (KNBS, 2020). It also lags behind the extreme levels of inequality found in South Africa – with a Gini coefficient of 0.625 in 2013 (KNBS, 2020). Moreover, in 2015, 13.8 million people out of a total population of 46.85 million were living below the international poverty line of US$2.15 (2017 PPP) (World Bank, 2023). Still, Kenya is one of the largest economies in sub-Saharan Africa, measured by GDP and population (IMF, 2023), and one of the most dynamic ones in Eastern Africa. Kimenyi, Mwega, and Ndung'u (2015, p. 1) note it to be "the dominant economy in the East African Community (EAC) and the primary source of foreign direct investment (FDI) for some of the countries of the Community". Their paper, however, argues that despite the strong economic growth at the beginning of the 21st century, this growth has not been

[1] Sub-Saharan Africa (henceforth also SSA) and Africa are used interchangeably in this thesis but refer to the former.

transformative, with lagging urbanisation and disappointing development of manufacturing and services sectors.

The current development problems, including high levels of economic inequality in sub-Saharan Africa, have inspired strands of research seeking explanations in the institutions of the past (Acemoglu et al., 2001; Bertocchi & Canova, 2002; Michalopoulos & Papaioannou, 2016; Nunn, 2008; Van de Walle, 2009). Institutions explicitly introduced in the colonial period are regarded by many as a foundation for the persistence of detrimental development paths over time, with extractive institutions hampering investments and economic progress (Acemoglu et al., 2001). Van de Walle (2009) suggests that the state that African elites inherited at independence was not developmental and, on the contrary, conducive to creating large bureaucracies and corruption as political power was used to pursue economic gains by specific groups. It is argued that colonies, where the percentage of European settlers to the total population was higher, produced and sustained particularly unequal societies with extreme income inequalities persisting in modern times (Angeles, 2007).

The institutional setting in colonial Kenya provides a rich framework for investigating the role of colonial impact on economic inequality. Kenya, at the beginning of the 20th century, was a highly stratified society with deep disparities between the European, Asian, and African populations. It has been characterised as a settler colony with a relatively high ratio of whites employed by the colonial administration to the population they sought to rule, at 1: 19 000 (Austin, 2008b). Yet, this definition of a settler colony, based on the share of European settlers in the total population at a given point in time, is not unproblematic. In the African context, European settlers never constituted a majority of the population, and colonial settlement should be described more as a process "driven by the continuous competition between European settlers and African farmers over productive resources" (Frankema et al., 2016, p. 260). Consequently, what is more important is the appropriation of productive resources by the colonial government. Settler colonies can, thus, be described as "those in which the majority of the land was appropriated for European use" (Austin, 2008, p. 1008) or, as in the Kenyan case, those in which the most fertile land was allocated to a comparatively small number of settlers compared to the indigenous population.

The gap between European settlers and the indigenous population in Kenya has been particularly tangible with the practices of land alienation, forced labour, and overall discriminatory colonial policies (Leys, 1975; Tignor, 1976). Colonial coercive practices and policies, including the appropriation and reallocation of productive resources on a significant scale, pose an interesting case due to the contrasting responses to the colonial rule by the various groups, such as the Kikuyu, the Kamba and the Maasai (Tignor, 1976), and the varying opportunities for Africans in different sectors at different times. As Austin (2008b) explains, the regimes in Southern Rhodesia and Kenya initiated practices of driving Africans out of the produce market and into the labour market. However, African production for the market proved to be resistant, and administrations had to make concessions. The story of colonisers and colonised is, thus, multifaceted, and African agency did play a considerable role in shaping colonial policies. This is why it is necessary to explore the evolving colonial conditions, as well as the restrictions and opportunities mediated by the colonial powers, which resulted in vast racial inequalities and simultaneous advancement of certain African groups and the lagging of others.

This thesis investigates the economic disparities and colonial income inequalities, more specifically, as well as the mechanisms driving these trends in Kenya. Among other approaches, it utilises the social tables approach, which divides the society into income classes and estimates the average income in each class, based on which historical inequality levels can be calculated. It provides a detailed dissection of income inequalities in the wage sector, supplementing the social tables with real wage and skill premium calculations, which increase the understanding of the factors at play in driving inequalities throughout the colonial period. A closer investigation of dynamics in the public sector and inequalities specific to entrepreneurial activities in a colonial economy further contribute to a thorough picture of overall inequality.

The dissertation uses new archival evidence from national archives both in the United Kingdom and Kenya and presents a unique reconstruction of the long-term incomes of various groups of the colonial society of Kenya. In doing so, it zooms in on the different groups both at the top and the bottom of the colonial society, providing a more comprehensive insight into the historical income gaps. Through meticulous data collection, the dissertation focuses on several aspects of inequalities, starting with the economy-wide and wage-sector-specific income inequality and, consequently, analysing inequalities in the public and private sectors.

While this is not the first study to explore economic inequality in Kenya, Arne Bigsten (1987) having pioneered the field in the past, continuing the work with the same focus is essential for disentangling the mechanisms and drivers of inequality over time in a more fine-grained manner. Bigsten's (1987) top-down approach, starting with the estimates of national income and consequent distribution of it between thirteen income groups, is an essential contribution to the field and an apt departure point. By contrast, the current thesis takes a bottom-up approach to estimating the average incomes of a larger number of income groups using detailed archival evidence. Considering the essential work of, for example, Kitching (1980) on the early differentiation among Africans, it strives to provide a more contextualised understanding of the inequalities in various sectors with the help of quantitative and qualitative data.

This dissertation acknowledges the importance of the changing institutional constraints and incentives in the process of colonisation and brings forth Africans navigating this colonial framework. It acknowledges the differentiation between various African societal groups, especially between agricultural and skilled formal wage sector groups, highlights the premiums earned in the public sector, and disentangles the inequalities ingrained in the entrepreneurial activities in the private sector. Many skilled, educated Kenyans transformed into the national African elites of the post-colonial period and have been the focus of previous research in the immediate post-independence period (Goldthorpe, 1955; Lloyd, 1966; Miller, 1974) as well as more recently (Bedasso, 2015; Bunyi, 2008; Sheely, 2015; Simson, 2020). This thesis, thus, adds to this previous research by offering a closer investigation of the colonial conditions shaping the incentives and opportunities of these groups. Thereupon, the dissertation contributes not only to the research field of historical income inequality in sub-Saharan Africa but also to African economic history more broadly.

1.1 Motivation and main questions

There is a long tradition of inequality studies and a vast and growing literature on long-term economic inequality trends in the Global North (Alfani, 2015; Alfani et al., 2022; Allen, 2019; Bengtsson et al., 2019; Bengtsson et al., 2018; Lindert & Williamson, 2016; Piketty et al., 2006; Williamson, 2006). Meanwhile, literature on long-term inequality trends in sub-Saharan Africa from a historical perspective is still only taking form. The firm perception of the lack of data has further undermined this strand of research. Therefore, many inequality studies in sub-Saharan Africa have focused on a sub-set of income distribution, such as top income groups (Atkinson, 2011; Atkinson et al., 2011), for which more data in the form of tax records exists. In other cases where a rich database is available, studies have even captured economic inequality estimates in specific locations, such as the Cape Colony (Fourie, 2013) and the Colony of Sierra Leone (Galli & Rönnbäck, 2021).

The study of economy-wide long-term historical economic inequality trends is, however, materialising as one of the fields in African economic history with the use of innovative methodological approaches such as social tables (Aboagye & Bolt, 2021; Alfani & Tadei, 2019; Bolt & Hillbom, 2016a; De Haas, 2017; Klocke, 2021), which is especially apt when historical microdata on incomes does not exist. This approach also allows the reconstruction of inequality estimates for the entire income-earning population. The picture that emerges from these studies is intricate, not merely because of the different impacts of the pre-colonial, colonial, and post-colonial periods on inequality trends but also due to a variety of mechanisms driving inequality trends. As many of these studies on economic inequality in SSA, including the current study, concentrate on the colonial period, this narrow focus has recently been criticised by Frankema et al. (2023). They point out that while colonialism did generate new forms of inequality, inequalities in African societies can be traced back to pre-colonial times. They argue that the lack of diversification, low population densities, and land abundance did not necessarily result in egalitarian societies. The institution of slavery, for example, attests to the opposite.

When studying income inequality, the focus on the colonial period is, nevertheless, justified, as a lack of data from the pre-colonial period complicates the study of long-term inequality trends. Although not perfect, the more systematically collected data from the colonial sources provides an essential insight into the societal disparities, which, in turn, can be linked with the post-colonial inequality estimates. So, while the current study recognises the importance of examining the pre- and post-colonial historical contexts and addresses these whenever possible, the scope of the dissertation does not allow for a thorough investigation of the pre-colonial conditions. The colonial period, thus, remains the primary focus of the study.

Admittedly, colonialism had very contrasting effects in different contexts (Acemoglu et al., 2002; Acemoglu et al., 2001), while there is also ambiguity in the possibilities of the exact measurement of the colonial impact (Green, 2018), given that there were different effects working through different mechanisms and channels (Heldring & Robinson, 2018). However, understanding this formative historical phase in Africa is crucial for grasping its legacies today. Even within Africa, no universal experience emerges, and the impact depends on the specific circumstances. While the overall impact of colonialism is deemed to have been detrimental to development, in colonies of white settlement, such as Kenya, South Africa or Southern Rhodesia, the deterioration of living standards of Africans due to coercive practices is estimated to have been particularly severe, leading to huge inequalities (Heldring & Robinson, 2018).

Various mechanisms behind the increasing disparities during the colonial period have been suggested. Europeans brought along the expansion of commodity production, technological advancement in the form of steam engines and medicine, and monetisation of the economy, which enabled specialisation and, subsequently, increased productivity. While these can be seen as beneficial for society as a whole, spurring the commercialisation of the economy, they were also conducive to creating differentiation, especially since many of these factors mainly benefited European settlers. A synthesis of all inequality studies based on the social tables approach by Hillbom et al. (2023) reveals that especially racial disparities and the extent of capital intensity of agricultural commercialisation were the most distinguishing factors in explaining the rising trend in African colonial income inequality.

The role of institutions in forming colonial inequality trajectories in Africa is especially pertinent. Acemoglu et al. (2001) assert that African colonies were characterised by extractive institutions hampering development. Europeans in colonies characterised by white settlement were especially powerful in setting colonial policies, which is argued to have led to increased inequalities (Angeles, 2007). Frederick Cooper (2002, p. 5) has identified African colonial states as gatekeeper states that "stood astride the intersection of the colonial territory and the outside world" and whose "economic power remained concentrated at the gate between inside and outside". This meant that the power of these states was embodied in collecting and distributing resources gathered at this gate, as the state commanded the customs revenue, colonial grants, taxation, and licences for doing business in its territory. Yet, as the financial capacity of colonial states was weak, the developmental efforts of the state had a narrow focus (Cooper, 2002; Hillbom, 2012). Paradoxically, the expansion of the public sector has been particularly notable in Africa (Diamond, 1987). Moreover, in the colonial period, wages of European expatriates in the public sector resulted in growing public expenses, perpetuating inequalities (Bennell, 1982). At the same time, the creation of a complex bureaucracy is said to have discouraged the development of private indigenous enterprises (Diamond, 1987).

Evaluating the above-mentioned theories of damaging inequalities in the local context during colonial rule can bring valuable insights into the conditions that shaped subsequent development trajectories. Yet, the endless juxtaposition of the European elite and the remaining population would not always result in a productive analysis. In recent times, many scholars have called for a more rigorous examination of the local context while also taking into consideration African agency (Austin, 2008b; Bezemer et al., 2014; Frankema et al., 2016). Therefore, looking into differentiation[2] among the African population and their interaction with the colonial powers can help us unravel the complex nature of the colonial process. This approach would, first and foremost, avoid the pitfalls of oversimplification. The historiography of Kenya, indeed, describes the early differentiation among the African farmers and the rise of the African bourgeoisie (Kitching, 1980; Swainson, 1977), attesting to the opportunities seized by Africans amidst the coercive institutional framework of colonial Kenya.

Given the described theories about the colonial impact on development and inequality in Africa and the mechanisms behind this, the current thesis explores the following overarching research questions in the context of colonial Kenya:

1. What were the levels and trends of income inequality?

[2] The use of the term differentiation in this dissertation is adopted from the concepts explained in the study by Yitzhaki & Lerman (1991). Differentiation refers more broadly to inequality, whereas stratification is defined as "the division of society into a number of strata, hierarchically arranged groupings" (p. 314). It can also refer more broadly to socio-economic differentiation, defined as "a process whereby inequality increases together with a growing fragmentation of labour into groups of people who increasingly depend on working for wages and groups who manage to accumulate a bit and employ other people's labour, and between groups who still depend on farm activities and groups who become increasingly reliant on non-farm sources of income" (Oya, 2010, p. 2).

2. What were the drivers of overall inequality?
3. How did the wage developments in the public and private sectors contribute to income inequality?
4. To what extent did the remuneration structures in the public sector and the development of entrepreneurship in a colonial economy contribute to inequality?

Question one pertains to Paper 1, which deals with economy-wide inequalities, and Paper 2, which concentrates on the wage sector. Question two is a theme that runs throughout all the papers, while questions three and four more specifically address the developments in the public and private sectors addressed in Papers 3 and 4. As the differentiation among the indigenous population is relatively understudied compared to the research conducted on the top-income groups, special attention is paid to the African labour force throughout the dissertation.

1.2 Contributions of the thesis

In addressing the overarching research questions posed in the previous section, the dissertation makes a significant empirical contribution by collecting original quantitative and qualitative archival data from the Kenya National Archives and the archives and libraries in the UK. This undertaking not only refines our knowledge about the various income and social classes in colonial Kenya but, overall, provides a more detailed account of inequalities, restrictions, and opportunities in the different sectors of colonial society. This data collection effort on behalf of the author of this dissertation, together with Maria Fibaek (co-author paper 1) and Ellen Hillbom (co-author paper 2), can, in turn, assist future research concerned with comparative or methodological investigations of historical inequality trends in sub-Saharan Africa.

Based on the extensive data originating from a variety of colonial sources, the incomes and population numbers of Europeans, Asians, and Africans are reconstructed in Paper 1. Contrary to the previous research on Kenya by Bigsten (1987), the breakdown of the colonial society does not only happen based on race[3] and sector but, most importantly, based on skill, gender, geographical location, occupation, and size of the acreage of the farm. Out of these, the assessment of historical inequalities based on gender is a relatively unchartered territory in the context of sub-Saharan Africa. Moreover, while the lack of national income

[3] Any reference to race throughout this thesis refers to the term used in sociological scholarship and specifically to the colonial discourses, see, for example, the discussion about *racism* and colonialism by Go (2004).

estimates for the early colonial period in Bigsten's (1987) study complicates drawing robust conclusions about the levels of income inequality at that time, the new archival evidence and the thorough breakdown of both the top and bottom groups in the current paper address these shortcomings. This, in turn, paves the way for the search and explanation of the drivers of income inequalities in the colonial era. This more detailed understanding, then, helps broaden the previous accounts of dualistic economic structures in Kenya as it integrates the institutional aspects through careful historical contextualisation lacking in the original study by Bigsten (1987). The role of coercion and political factors advocated by Arrighi (1970) are evaluated in the light of the historiography of Kenya, while the paper also notes the non-linear nature of the evolution of colonial policies that balanced the objectives of different societal groupings.

The design of the dissertation, with the various papers zooming closer in on the different sectors of Kenyan colonial society, contributes to a more detailed discussion of the drivers of inequalities in a colonial setting. Starting with the economy-wide understanding of income inequalities in Paper 1, Paper 2 moves on to provide a closer investigation of drivers of income inequality in one of the most unequal sectors – the formal wage sector. Inequalities in the colonial wage sector have not been previously investigated in detail apart from the study by Klocke (2022), and further empirical evidence and comparison with other economies of SSA would help disentangle the theoretical basis of the drivers of inequalities further. The paper contributes to the inequality literature by addressing sector-specific trends and by combining the overview of real wage trends and skill premiums to investigate the drivers of wage sector inequality over time.

In paper 3, inequalities are examined by juxtaposing the public and private sectors and investigating within-sector inequalities in the public sector. The present study makes a significant contribution by extending the research on the colonial public sector conducted by, for example, Simson (2020) into the colonial period. This exploration of Africans working for the colonial administration also ties back to the long tradition of African elite literature (Goldthorpe, 1955; Lloyd, 1966; Miller, 1974; Simson, 2017). The paper contributes to understanding the growing importance of the public sector, which in Kenya had colonial roots. It also provides carefully construed archival data on the structure of the public sector with a unique focus on the African wage workers. Exploring the colonial public-private differentials illuminates the early evolution of the public sector and the challenges of applying the current theoretical understanding of public sector labour markets to a colonial setting. Additionally, identifying a public sector premium functions as a background to the literature on the consequent emergence of a nascent African bureaucratic elite in the public sector also characterised as the bourgeoisie of the civil service (Fanon, 1963). It provides an essential understanding of how the changing structure and maturing of the colonial state and the different development objectives affected the employment, remuneration, and other opportunities for the advancement of African public servants as opposed to the private sector actors.

Finally, investigating another group that has received little attention—the African entrepreneurial class—further illuminates the impact of government policies on African opportunities. While, for example, Swainson (1977) and Kitching (1980) have conducted work on the African colonial bourgeoisie, highlighting the process of capitalist accumulation, the current paper contributes to the broader literature on African entrepreneurship that includes important recent contributions by Hopkins (2024) and Ochonu (2018). Through the investigation of different forms of formal sector entrepreneurial activities, the paper brings forth how colonial institutional constraints on some activities and the encouragement of others guided the economic activity of African entrepreneurs. This, for example, resulted in the proliferation of cooperative societies, which have received less attention in the literature. Moreover, the use of previously underutilised sources, such as *Who is Who in East Africa*, allows a more detailed account of the career paths of distinct Africans on an individual level.

2 Inequality: evidence and theoretical considerations

This section will start by discussing the concept of inequality and the various ways to measure it. In addition, this overview demonstrates the significance of inequality research and why we should care about inequality. It further reviews the state-of-the-art theories within the field that help disentangle the mechanisms explaining the long-term inequality trends while also displaying the role of various groups facilitating these trends.

2.1 What is inequality, and why does it matter?

Inequality has many dimensions, including inequality based on ethnicity, class, or religion, and can represent different things depending on the context. As Cowell (2011, p. 1-2) puts it, inequality implies a departure from a state of *equality*, which can be simply seen as a mathematical statement where equality refers to the same size of two or more given quantities. Yet, it also has moral connotations in societal debates, where economic inclusion, narrowing of differentials and reducing barriers to social mobility are examples of goals related to social justice. The perspective on inequality, in turn, guides the choice of measures of inequality.

Economic inequality has become one of the key dimensions in the fields of economics and economic history, although distributional issues have not always been at the heart of economics research and have often been treated separately from other economic phenomena in economics textbooks (Atkinson, 2015; Atkinson & Bourguignon, 2000). Inequality is usually conceptually divided into inequality of opportunity and inequality of outcome. Whereas *inequality of opportunity* reflects circumstances such as family background, influencing the opportunity and abilities to participate in earning an income or accumulating wealth, re-distributional policies are often directed towards *inequalities of outcome*, which are expressed in income or wealth (Atkinson, 2015, pp. 9-10). This dissertation focuses on income inequality, which is warranted given the long history of economic disparities and the high incidence of poverty in developing countries (Alvaredo & Gasparini, 2000). These economic disparities were also especially blatant in Kenyan colonial history.

The focus on inequality of outcome, in turn, is essential because, as Atkinson (2015, p. 11) points out, inequality of outcome directly influences inequality of opportunity for the next generation. This in the colonial context in Kenya has been most tangible when participation in the wage work of one generation has provided better education and, thus, opportunities for the next generation (Kitching, 1980). For example, the sons of colonial chiefs often acquired a Western-style education and took leading positions in colonial societies (Stichter, 1982, p. 104).

Income inequality can be measured in several different ways. One of the most widely used single-number summary indices of inequality is the Gini coefficient, bearing the name of Italian statistician Corrado Gini (Atkinson, 2015, p. 17). It can take a value between 0 and 1, with 0 representing absolute equality. While it is not a perfect measure, given that it diminishes a whole distribution to one number and is especially sensitive to the changes in the middle of the distribution (Cowell, 2011, p. 26), it still facilitates easy comparison of levels and trends across time and space. However, what constitutes low or high inequality is not set in stone. Alvaredo & Gasparini (2000, p. 710), for example, consider the range from 0.2 to 0.3 to constitute low inequality, the range from 0.3 to 0.4 middle level of inequality, while the range from 0.4 to 0.5 indicates high, and from 0.5 to 0.6 very high inequalities. For Odusola et al. (2017), anything below a Gini of 0.4 constitutes very low inequalities. This paper addresses a Gini of below 0.4 as a low level of inequality.

Milanovic et al. (2011) have coined another simple index that better reflects inequalities in pre-industrial societies. The authors suggest that the Inequality Possibility Frontier and Inequality Extraction Ratio (IER) facilitate a fresh interpretation of inequality in the long run by considering inequality and development jointly. The *Inequality Possibility Frontier* estimates the maximum feasible inequality allowed by each society's surplus above subsistence, while the *Inequality Extraction Ratio* is a ratio between the maximum attainable inequality and actual inequality measured by the Gini coefficient. Maximum feasible inequality increases with economic development, and the IER captures how much of the potential inequality is turned into actual inequality. In this way, a society demonstrating a relatively low Gini may, in fact, be quite unequal if its measured inequality lies close to its inequality possibility frontier. This was often the case with pre-industrial societies, whereas, in modern societies, where the extent of the surplus is larger, not as much of it is appropriated by the top groups[4]. These indices are a particularly apt way of measuring inequality in a historical colonial context where actual inequality measured by the Gini coefficient might indicate low inequality due to low levels of economic development and low levels of surplus. Consequently, the IER gives a better understanding of the extent of societal inequalities.

[4] The extremely poor countries today are the exception to this.

Distributional issues are especially essential due to their nature as conditioning parameters in other economic phenomena (Atkinson & Bourguignon, 2000). Inequality has been termed a positive phenomenon in creating opportunities when individuals see effort as worthwhile and not hindered by barriers to mobility. According to Welch (1999), without inequality, there would be no trade, specialisation, or surplus produced through cooperation. However, as global within-country inequality rises, the concerns about economic inequality posing a severe challenge are warranted. Inequality has been argued to be detrimental to economic growth (Persson & Tabellini, 1994), although the evidence is inconclusive, and the effect also runs in the other direction, with economic growth influencing levels of inequality. Poverty, in turn, is a function of growth, distribution, and change in distribution, with high levels of inequality hampering the positive effects of growth on poverty reduction (Bourguignon, 2004). Stiglitz (2012) warns of the increasing gaps between the top and the rest, resulting in inefficient, unstable, and unsustainable societies. This warning also has historical precedents. High concentrations of especially wealth have been found already in the pre-industrial times (Alfani, 2010; Hanson Jones, 1972; Lindert, 1986), and literature on the topic has revealed the detrimental effects of the rising factor markets, wealth concentration, and concentration of power in the hands of small elites leading to the demise of societies (Van Bavel, 2016).

These observations urge placing inequality at the core of the analysis with a thorough investigation into the drivers of economic inequality not only in recent times but also from a historical perspective. The investigation of the long-run inequality trends has, indeed, become the locus of academic research as the search for reference points from the past to understand the rising inequalities today continues (Goldin & Katz, 2008; Milanović, 2016; Piketty, 2014; Scheidel, 2017). While many argue that inequalities have been an inevitable part of human existence and see inequality as an inexorable part of economic growth that has brought unprecedented prosperity (Kuznets, 1955), others do not consider inequality as an inevitable outcome but a political choice (Chancel et al., 2022). The following sections will discuss various theories that concentrate on explaining rising and declining inequality.

2.2 The role of economic growth versus institutions[5]

Economic growth has been portrayed as a leading explanation for the initially growing and later declining economic inequalities in modern industrial societies.

[5] Institutions, here, are understood as “formal rules, written laws, formal social conventions, informal norms of behaviour, and shared beliefs about the world” and refer to constraints on the behaviour of individuals based on the definition by North et al. (2009, p. 15).

Kuznets (1955) has formulated one of the most influential models where structural transformation, indicating people moving away from the agricultural sector into the industrial sector, would result in increasing income inequality in the early stages of economic growth. For Kuznets, the primary mechanism behind the process lies in the movement of labour away from the less productive agricultural sector, characterised by lower wages, to the more productive industrial sector with higher earnings. According to this model, the decline in inequality would inevitably happen at the later stages of industrialisation, when most of the population could be found in the industrial sector. Lewis (1954) presents a related theory which postulates that economic growth results from the movement of labour between the subsistence and capitalist sectors. According to him, there is an unlimited supply of labour from the subsistence sector where marginal productivity is close to zero to the capitalist sector at subsistence wages. This, in turn, enables capitalist accumulation in the capitalist sector, which would infer rising inequalities, although Lewis himself did not interpret the levels of inequality based on his model. Van Zanden (1995) has argued that the increase in economic inequality can be traced back to the early modern period in Europe when international trade, urbanisation, and the increase in agricultural productivity stimulated premodern economic growth.

An adjacent model based on structural transformation and market mechanisms is the one developed initially by Tinbergen (1975) and elaborated by Goldin and Katz (2008), who examine the role of human capital in the long-run income inequality trends. The central thesis explaining the inequality trends in the United States over the 20th century presented by Goldin and Katz (2008) leans on a model based on supply and demand and, more specifically, on the theory about the race between education or supply of skill and skill-biased technological change or demand for skill. According to this theory, the increase in demand for skills due to technological change consequently increases inequality through increasing skill premiums. What determined the outcome in the US was not the change in the demand for skill (technology), which increased steadily throughout the period, but the shift in supply (education). The scarce evidence from the Global South indicates that the skill premiums were exceptionally high before the educational advances led to a declining trend, especially during the post-colonial period (Frankema & Waijenburg, 2023).

The functioning of the mechanisms presented above in the context of the Global South has, nevertheless, specific nuances that have consequences for the arising inequalities. The land-labour ratios were far from the conditions presented in Lewis's development model, as labour was relatively scarce and land abundant at the beginning of the colonial era (Austin, 2008a). The attempts to create artificial Lewis conditions with an unlimited supply of labour during the colonial period, however, did not necessarily lead to rising inequalities resulting from structural transformation. The representatives of the dependency school, for example, note the imbalances that resulted from the introduction of capitalist forces in colonies. Baran

(1973) explains that the roots of underdevelopment can be found in the establishment of capitalist relations and the consequent draining of the previously accumulated surplus out of the colonies. According to him, these conditions caused a setback in capital accumulation. In addition to this perceived disruptive effect of colonialism on development, the post-colonial process of economic growth has neither been linear in Africa with structural and other impediments to growth constituting the sources of abundant research (Austin, 2008a; Austin, 2016; Frankema & van Waijenburg, 2012; Jerven, 2010; Thorbecke & Ouyang, 2016). Thorbecke and Oyang (2016) draw attention to deviations in the pattern of structural transformation that has led to the stagnation of the economy in sub-Saharan Africa. Whereas in Asia, workers were pulled from the agricultural sector into more productive sectors, in sub-Saharan Africa, workers were pushed out of the agricultural sector into the even less productive informal sector. The processes influencing inequality patterns are, therefore, somewhat different in Africa.

Models highlighting economic growth and skill-biased economic change are, thus, insufficient in explaining the conditions guiding the trends in inequality. Alfani (2021) has recently elaborated on the role of economic growth and market mechanisms in preindustrial societies by pointing out that inequalities in the Global North have also grown in times of economic stagnation or even decline. Instead, several different forces influenced preindustrial inequality trends, including economic growth, urbanisation, demographic factors, institutional change and politics, to name a few. Previously, Milanovic (2016) has proposed a dynamic model for changing inequality trends with *Kuznets waves* that elucidate the role of *malign* forces of wars and epidemics and *benign* forces of social pressure through politics and technological change at different points in time and in different contexts. Meanwhile, Scheidel (2017) has also argued that effective levelling requires violent shocks, such as mass mobilisation warfare and pandemics. Out of these forces, Alfani (2021) highlights the role of human agency mediated by institutional change in combating the spontaneous tendency of inequality to concentrate in the very long run. These are also central to Piketty's (2014) work, which emphasises the concentration of wealth when growth is weak and the return on capital is high. Interventions by the state and institutions and rules that govern the labour market operations are, in his interpretation, central to reducing inequality. He interprets the decline in inequality to be the result of wars and the policies adopted to cope with the shocks of war, while the increase since the 1980s emanates from political shifts and liberalisation concerning taxation and finance.

Some of the most significant hindrances affecting developing countries are, indeed, instability of government and party system, lack of representativeness of political regimes and authoritarian structure of leadership (Kuznets, 1966). Institutional factors are, therefore, central in understanding changes in inequality. Frankema et al. (2023) have recently introduced three inequality regimes, including colonial rule. Essential aspects of understanding inequality during this regime were the institutions legitimising a given distribution of economic resources and the distinct social groups as the main beneficiaries of inequality. Van de Walle (2009) has previously presented an institutionalist argument of the historical roots of inequality by assessing the role of colonial state institutions in creating an environment conducive to higher inequalities. He contends that low European populations, extractive administrations, and negligible promotion of economic development were preconditions for stratification, exacerbated in post-colonial times. Bowden et al. (2008), who constructed rural real wages for six African countries, also highlight colonial institutions and argue that Africans in the harsh settler colony setting lost their bargaining power, resulting in low wages and living standards. Angeles (2007) similarly claims that the significant presence of settlers created even higher inequalities. Yet, van de Walle (2009) also points out that settler economies could promote economic development to a higher degree – something that could also influence differentiation among the African population.

2.3 The role of the different societal groups

The concentration of both income and wealth at the top (Chancel et al., 2022), as well as the recent revelations about the role of the top groups in driving inequality estimates (Milanovic, 2023), warrants a closer examination of these groups. Moreover, the latest global financial crisis has reignited the interest in elites, and the formation of a new meritocratic elite has been linked to both rising global inequality as well as within-country inequality (DiCaprio et al., 2012). At the same time, the role of population growth and proletarianization in increasing pre-industrial inequality (Alfani, 2021), as well as the remarks about the size of the bottom income group or class in affecting inequality estimates when constructing social tables (Von Fintel et al., 2023) have gained momentum. Therefore, examination of the bottom groups of the distribution is crucial, especially since, in studies of African income inequality, these groups often constitute large, undifferentiated masses. The following sections will tackle the research pertaining to groups both at the top and at the bottom layers of society.

2.3.1 The role of the top groups

While the current dissertation mainly deals with income inequality, the top income groups often also wielded considerable power and influence and could possess other characteristics that strengthened their status at the top of the colonial hierarchies. Consequently, understanding the broader role of the different elites in the development and creation of inequalities is essential. The studies of elites, in turn, cannot be entirely isolated from class analysis, which has dominated the Western understanding of societies and is used as an essential tool in understanding inequality and power as well as social relations throughout history (Higley & Pakulski, 2012). Elites exist in relation to other groups, and as Jodhka and Naudet (2019, p. 1) suggest, "elite is not just a descriptive category, defined simply in terms of some personal attributes of a set of individuals, but also a social position in a relational structure". Yet, these concepts have been applied to a very distinct Western context, making a broader utilisation of these theories difficult, especially in Africa. The popular perception of the classlessness of African society is controversial (Grundy, 1964; Miller, 1974), with Miller (1974) maintaining that colonial policies might have made ethnicity a more potent source of identity instead of class.

Consequently, finding a robust definition for elites is not straightforward because elites can only be reliably identified in relation to other groups. DiCaprio et al. (2012, p. 5) describe an elite as "a distinct group within a society which enjoys privileged status and exercises decisive control over the organisation of society". While Europeans naturally possessed the highest positions in colonial societies, there was also room for influential Africans. Lloyd (1966) describes the evolution of African elites from pre-colonial to post-colonial times, where traditional elites possessing elite status in their town or village were replaced by political officeholders and westernised elites. These, in turn, were replaced by elites in bureaucratic employment, private professions, military and political positions. The possession of the means of administration could, then, be seen as an alternative to the possession of the means of economic production (Lloyd, 1966; Miller, 1974). As DiCaprio et al. (2012) also note, it is essential to understand that while elites have initially been conceptualised in terms of their wealth and influence, in reality, they can be found at each layer of society. Theories of class analysis, thus, help to understand that elites should not solely be characterised through their income and wealth; instead, education, various types of wealth, and the overall position of different groups in society play a role.

The broader literature distinguishes between the positive and negative impact of the elites on both development and inequality. The academic debate on the detrimental effects of economic inequality on the growth and development of societies (Persson & Tabellini, 1994) has also spurred an increasing amount of research into historical wealth inequality, top-income groups, and elites, especially in Europe (Alfani, 2010; Bengtsson et al., 2019; Piketty et al., 2006; Van Bavel, 2016). Van Bavel (2016), for example, asserts that the old feudal elites were displaced and replaced with the new market elites as the factor markets for land, labour, and capital developed throughout history. This, ultimately, resulted in the formation of new hierarchies, which led to spikes in, especially, wealth inequality. Throughout time, the wealth amassed by new market elites brought opportunities to turn it into political leverage, continuously resulting in new forms of unfreedom and elite capture.

Yet, there are also more optimistic viewpoints on elites' essential role in consolidating economic development. In the past, knowledge elites were central in the industrialisation process because they enabled entrepreneurs in manufacturing to keep up with the advances at the technology frontier (Squicciarini & Voigtländer, 2015). Moreover, since economic growth and development are closely associated with structural transformation, and this transformation often requires state intervention and effective industrial policies, the impact of political elites in bringing about change is accentuated (Whitfield & Buur, 2014). The influence of the landed, intellectual, and political elites in the adaptation of land reforms and new technologies supports the idea of the crucial role that elites play in development (Lampe & Sharp, 2018).

This seemingly dual effect that the upper class potentially plays in society, then, boils down to their ability to "define the social context that determines how factor endowments are used, and institutions are designed", and this effect is closely shaped by the incentives provided for the elites (DiCaprio et al., 2012, p. 2). This means that the interests of the elites might not always align with the interests of the wider public. It follows, then, that elites would be hesitant to change institutions that would hurt them, but under the right circumstances, they could prove to be a great catalyst of progress. The latter situation would occur, especially in an environment of plurality and competition among the elites (Brezis & Temin, 2008).

The quest into the top-earning groups in colonial sub-Saharan Africa has revealed high levels of inequality at the top of colonial societies, although these studies of top incomes based on tax records often disregard most of the non-European population as the colonial elites were mostly non-African (Atkinson, 2014; Atkinson, 2011; Paukert, 1973). Yet, there have also been attempts to map the African elites, such as those by Goldthorpe (1955) and Lloyd (1966). In Kenya, two groups have received considerable attention – the commercial and the bureaucratic elites. According to Kitching (1980), the merchant capitalists and the best-paid public sector employees attained a disproportionate share of the monetised surplus product. The merchant capitalist group encompassed foreign-owned import and export firms and Asian and African merchant capitalists operating mainly in the domestic market. State officials, on the other hand, often invested the money earned from wages into land purchases and became involved in large-scale farming.

More importantly, elites, especially in developing countries, still play a crucial role (Miller, 1974). However, in post-colonial Africa, both economic and political elites have neglected to bring about more broad-based development by sticking to policies that protect their own interests (Bates, 2005). The role of political elites in sub-Saharan Africa, thus, is important in explaining adverse outcomes when it comes to economic development and prevailing corruption. The rent-seeking behaviour of the elites has been named as one of the root causes of African underdevelopment. Elite capture, defined as "a phenomenon where resources transferred for the benefit of the masses are usurped by a few" (Dutta, 2009, p. 3), is, indeed, a persistent occurrence.

2.3.2 The role of the bottom groups

While much of the literature concentrates on the elites and economic top classes, less evidence exists of the composition and the role of the bottom classes of the income distribution in driving inequality estimates, especially in a colonial setting. Population growth and the ensuing waves of proletarianization, perpetuated by pressure on scarce resources, could, however, play a role in increasing inequalities (Alfani, 2021). Malthus (1798) has previously theorised about how the so-called *positive checks* of war, famine, and disease would prompt population decline and lead to decreases in inequality in a scenario where population growth had put a strain on available resources. Malthusian dynamics were, however, not present in pre-colonial Africa, where the population did not experience growth despite the availability of land. Instead, the economies were characterised by land-extensive methods of cultivation and production systems based on enslaved labour due to high land-labour ratios (Austin, 2008a).

Colonialism shifted these conditions with a forced creation of Lewis conditions that led to restricted availability of land for Africans, especially in the settler colonies (Arrighi, 1970), while technological progress allowed the population to increase. Increases in life expectancy and stature during the colonial period attest to the effects of the investments in public health, which, however, often served the interests of the white population by guarding them against the negative externalities of infectious diseases (Heldring & Robinson, 2018). New population estimates by Frankema and Jerven (2014) show the drastic population expansion during the colonial period. In Kenya, the population increased from approximately 4 million in 1904 to around 8 million in 1960. Besides, if the growing population could not be absorbed by a dynamic industrial sector or a commercialised agricultural sector, a higher share of the population living close to subsistence would be expected. The coinciding lack of re-distributional policies and persistent high inequality coupled with discriminatory policies in society would then, according to one strand of research, curb the alleviating effect of growth on poverty (Bourguignon, 2004). The impoverished masses living close to subsistence would initially drag inequality down as most of the population would have consistently low incomes. Then, with incremental participation in the colonial economy by different groups, inequalities would increase as only part of the population could reap the benefits of economic development.

The social tables studies have shown that the colonial population structure was heavily skewed towards rural masses and unskilled workers (Aboagye & Bolt, 2021; Alfani & Tadei, 2019; Bolt & Hillbom, 2016a; De Haas, 2017; Klocke, 2021). Von Fintel et al. (2023) have recently argued that grouping at the bottom of the social tables studies could have an impact on bias in inequality estimates. According to them, inequality could be underestimated with larger bottom classes, especially when the total population size is small. However, assigning a significant share of the population to one bottom class with a uniform income is partially driven by the lack of statistics on the self-employed rural and urban sectors, where incomes could be derived from self-employed activities and complemented with occasional wage work. Therefore, differentiation among a large bottom group could have been more substantial. Further work on identifying and accounting for the experiences of the rural populations, which, according to Kitching (1980), were anything but uniform, would, thus, be needed to understand the historical inequality dynamics.

3 Historical context

This section briefly summarises the history of Kenya, utilising the periodisation of pre-colonial, colonial, and post-colonial eras to structure the chronology of events. Due to the limited scope of this overview, only the general political and economic conditions that shaped the development, societal structures, and inequality in Kenya are highlighted. Still, as the colonial period is the focus of this dissertation, the events of this period are brought to the fore. The colonial era in Kenya, in turn, can be divided into two phases, beginning with a more coercive approach and ending with developmental attempts by the colonial administration, which will be discussed in detail below.

The history of the Swahili civilisation, mixing African and Arab influences on the coast of East Africa, is extensive, and significant changes on the Kenya coast can be dated to the 13th century. At this time, commercial life in East Africa was stimulated by the growing demand for enslaved people, ivory and gold, which enabled the societies of the coastal region to become more affluent and sophisticated over the following centuries, leading to the flourishing of the coastal city-states (Ochieng', 1985, pp. 50-52). The desire of the Portuguese to dominate the Indian Ocean trade led to them controlling the East African coast from the 16th century with ongoing conflicts and resistance from the local coastal Arab and Swahili population until the end of the Portuguese rule in the 18th century. During the consequent Omani Arab rule from approximately 1700 to 1804, Mombasa re-established its influence after initially having experienced an expansion in wealth and size over the 15th and 16th centuries. Ochieng' (1985, pp. 65), however, notes that the commerce with the Indian Ocean diminished and the balance of trade tilted in favour of Europe.

While the East African slave and ivory trade had transformed the coast into a centre for flourishing commerce for Indian, Arab, and European merchants (Stichter, 1982), there was also an agricultural expansion in the 19th century with coastal plantations run by wealthy Arabs and Swahili (Ochieng', 1985, pp. 70). They produced grain, sesame, and coconuts sold to Europe, India, and Arabia. This century saw the Arab and Swahili traders organising caravans to penetrate the interior region (Ochieng', 1985, pp. 76), which was home to various groups of people, including the Kikuyu, the Kamba, and the Maasai (Berman & Lonsdale, 1992; Ogot, 1976; Tignor, 1976). Ogot (1976) describes the pre-colonial surplus production by the Kikuyu, which led to important trade with the Swahili caravans and later with Europeans, especially towards the end of the 19th century. Despite the strong sense of community interest when it came to land ownership and the lack of chiefs, hierarchical structures did exist in the Kikuyu societies and had different layers. The land among the Kikuyu was owned by *mbari*, or the sub-clan, but the landless could access land through the tenant system. Moreover, the warrior class and the *athamaki* or the leaders of warriors within this class, as well as senior elders, were groups that possessed considerable authority (Ogot, 1976; Tignor, 1976, pp. 45, 66).

The British influence in the region can be traced back to the commercial treaties tied with the sultans of Oman in the 18th century, and the interest in the region was intensified through anti-slavery activities from 1840 (Ochieng', 1985, pp. 75, 77). The competition with the Belgians, the French and the Germans in the region resulted in escalating British interventions, culminating in 1888 in the Imperial British East Africa Company being given a royal charter to develop the territory between Zanzibar and Uganda (Ochieng', 1985, pp. 82-87). The British commercial interest in the area eventually led to the exploration, conquest, and establishment of British rule over Kenya in 1895 when the British government declared their Protectorate over Kenya (Ochieng', 1985; Stichter, 1982). Later, in 1920, Kenya was annexed as a Crown Colony (Stichter, 1982; Wolff, 1974).

Colonialisation influenced the weave of these societal structures and fundamentally changed the economic and political systems while also leaving legacies of the earlier pre-colonial systems. Van Zwanenberg (1975) notes that the objective of the imperial and colonial authorities was the extraction of raw materials and the development of export cash crops. As Kenya lacked any substantial mineral riches readily available to extract, the entire physical and institutional infrastructure of the Kenya Colony was, therefore, built around the latter goal, with European-owned estates instead of African peasant production at the centre. Figure 1 presents a colonial map of Kenya, depicting the provincial borders. Out of the total area of about 582 600 square kilometres, only about 80 000 square kilometres were suitable for agriculture (Berman & Lonsdale, 1992, p. 19). The fertile Kenya highlands in the Southwest (see Central, Rift Valley and Masai Provinces on the map), from which the best land was allocated to European settlers, were, in turn, surrounded by arid steppe usable for extensive pastoralism.

Figure 1. Colonial Map of Kenya with 1948 administrative boundaries.
Note: Drawn by Jutta Bolt.

The issue of labour remained a source of grievance for European settlers as agricultural production required an extensive labour force (Van Zwanenberg & King, 1975). Yet, Africans had few incentives to engage in wage labour. The land, at least at the beginning of the colonial period, was relatively abundant, providing a sufficient income above subsistence for Africans (Collier & Lal, 1986). Many settlers in Kenya, on the other hand, lacked the necessary financial means to fulfil their entrepreneurial efforts, and the surplus had to be extracted from the product of African labour, which required keeping the wages of the African population extremely low (Clayton & Savage, 1974; Stichter, 1982; Van Zwanenberg, 1975). The combination of land abundance with low wages, therefore, did not produce a sufficient supply of labour, which resulted in policies aimed at coercing the African population into wage work. This happened through the practices of land alienation, the imposition of taxation in the form of hut and poll taxes, the institution of the Registration Ordinance in 1921, requiring Africans to carry identity documents featuring their employment history to track down individuals, and the various Resident Labourers Ordinances specifying the set days that the resident labourers had to work on European farms (Collier & Lal, 1986, p. 29). To fulfil these obligations, Africans worked for wages for part of the year but did not sever their ties to the land, which created a migrant labour system (Stichter, 1982) but no true proletariat or a landless class forced to sell their labour (Van Zwanenberg, 1975).

The establishment of settler agriculture in Kenya resulted in a racially stratified and unequal societal structure. Hierarchies based on racial discrimination had three tiers – Europeans wielded most of the economic and political power, Asians occupied the middle positions, and Africans were forced to the bottom of the hierarchy (Clayton & Savage, 1974). European settlers had considerable influence over the colonial government and could swing policies in favour of their economic benefit, especially in the early colonial period (Swainson, 1980, p. 8). Asians, on the other hand, had a strong presence in East Africa before the arrival of the British due to trading activities (Oonk, 2013, p. 769). They had also participated in the construction of the Uganda Railway.

The policies of the colonial administration started to evolve in the wake of changing global market conditions, rising African nationalism, and the trade union movement after World War II. While manufacturing activities were actively discouraged by the imperial government in the early colonial period despite the eager attempts of settlers to establish agro-processing plants, the shortage of supply of manufactured imports during World War II encouraged the industrial endeavours within the borders of the colony (Van Zwanenberg & King, 1975, p. 126). In addition, in line with the Colonial Welfare and Development Act of 1940, aid grants by the British government were directed towards developing infrastructure and public services such as education, health, and housing services (Swainson, 1980). The Swynnerton Plan in 1954 saw the promotion of African farming through individualisation of tenure, deracialisation of the White Highlands, and removal of restrictions against African production of cash crops such as coffee, while the Carpenter Committee Report in the same year proposed amendments to the constitution of minimum wages, which benefited the urban African workers in particular (Collier & Lal, 1986; Ochieng', 1995; Ogot, 1995).

These attempts to enhance the position of Africans and the more developmental attitude from the 1940s until independence absorbed within it the process of decolonisation, referring to the achievement of economic, social, and political freedom of Africans from the colonisers (Maloba, 1995, p. 12). The general strikes in Mombasa in 1939 and 1947, together with the rise of trade unionism, which had a nationalistic character, depict the defiance of Africans towards repressive policies and inequalities (Clayton & Savage, 1974). Atieno-Odhiambo (1995) describes the growing resistance on the part of Africans culminating in the Mau Mau movement in 1952 that saw violent attacks towards Europeans as well as those loyal to the colonial regime. The origin of the Mau Mau was in the growing landlessness of the population, which was worsened by the mechanisation of settler agriculture and the ensuing expansion in the acreage of European production, leading to the eviction of African resident labourers from the land (Atieno-Odhiambo, 1995, pp. 27-28).

The Lancaster House Conference in 1960 finally conceded to the nationalistic demands and agreed to the African majority rule, with Kenya gaining independence in 1963 (Collier & Lal, 1986; Ogot, 1995). With Jomo Kenyatta in the lead, Kenya adopted a capitalist road of development relying on private ownership and market forces to guarantee the achievement of the strategy of economic growth (Ochieng', 1995, p. 85). While the objective of the new government was to remove the inequalities of the colonial period, the indigenous bourgeoisie that had replaced Europeans had also inherited the economic structures of this period. Africanisation in the public sector was rapid, and the increase in real wages within the sector was substantial, while the private sector was trailing behind in the decade after independence (Collier & Lal, 1986, p. 62), resulting in imbalances and inequalities between sectors.

Ochieng' (1989, p. 209) describes political stability, pragmatic leadership, and the ability to sustain high rates of investment as sources of continuous post-independence economic growth, with GDP growing steadily at 5.4% annually. Figure 2 illustrates the increasing GDP per capita in the wake of independence and again from the early 21st century, while the growth rate has experienced considerable fluctuations over time. Since independence, the agricultural sector was transformed through the resettlement scheme, with large European farms subdivided into smaller African farms and over a million acres settled by 50,000 families by 1971 (Ochieng', 1989, p. 210). This period saw the increase of gross farm revenue by African smallholders and efforts towards industrialisation. Industrial expansion was particularly remarkable in the latter half of the 1970s in the fields of food, chemicals, leather, rubber, plastic, and metal processing (Ochieng', 1989, p. 210).

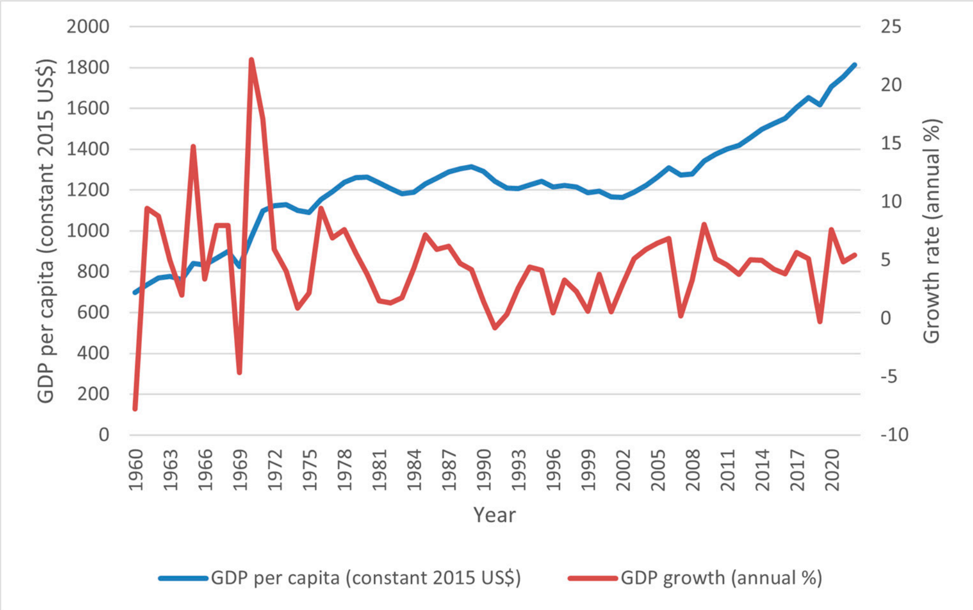

Figure 2. Post-independence GDP per capita and GDP growth in Kenya.
Source: World Development Indicators (2024).

Surprisingly little evidence exists of the trends in the distribution of the depicted growth and post-colonial income inequality in Kenya. According to a 2020 study of inequality trends covering the post-independence period by the Kenya National Bureau of Statistics (KNBS)[6], income inequality, as expressed by the Gini coefficient and derived from household surveys, was on the decline from 0.460 in 1994 and 0.470 in 2005/06 to 0.404 in 2015/16. The report finds that inequality was less marked among the bottom of the income distribution, most likely reflecting the high incidence of poverty in this group. Regional inequalities are also a characteristic of Kenya, with Nairobi, Rift Valley, and Coastal regions exhibiting high levels of inequality, while urban inequality was also higher compared to rural areas. Yet, both urban and rural areas have experienced drastic declines in inequality since 1994.

[6] This study leans on Bigsten's (1987) estimates until 1976.

4 Data, method, and limitations

This section provides an overview of the data and methodological approaches adopted to tackle the research questions posed. It starts with a brief account of the data and continues with methodological considerations and various tools used to analyse inequality. Lastly, the limitations pertaining to the dissertation as a whole and the data used are discussed.

4.1 Data

The primary sources for the dissertation are the various reports and records produced by the colonial administration in Kenya. Some of these sources have been digitised and are readily available online at British Online Archives (https://microform.digital/boa/collections). In the case of others, extracting the needed data required trips to the National Archives in London, the LSE Library and the British Library, the Kenya National Archive, and the Weston Library in Oxford. The Colonial Blue Books (1901-1946) and Colonial Office Annual reports from Kenya contain information on the prevailing social, political, and economic conditions as well as the actions and policies of the colonial administration. The Blue Book constituted a standardised statistical report and was compiled annually for the needs of the British Colonial Office in London. The different government departments in Kenya, in turn, produced departmental reports, which provided a more detailed overview of the statistics gathered in the Blue Books. These are, for example, the annual reports of the Native Affairs Department[7], Labour Department (1940-1963), Education Department, the Registrar-General (1927-1963) and the Registrar of Cooperative Societies (1947-1962), which can all be found at British Online Archives.

The materials collected in the archives and libraries in the United Kingdom include the Reports on the Censuses of the Non-Natives[8] containing information on the

[7] This is the original name of the data source, which was later changed to the African Affairs Department. The original name is used here to refer to the historical document and to facilitate the location of this document in the archives.

[8] The original name of the data source. See previous comment.

European and Asian populations, the Provincial and District Annual Reports found on microfilm in the Weston Library in Oxford and used in Paper 4, and various Earnings and Employment Reports and Labour Censuses of the African labour force. The British Library in London contained the previously underutilised source of Who is Who in East Africa, while Rebecca Simson also provided the transcribed data based on this source. The National Archives in Kenya were especially conducive to extracting detailed (often) qualitative reports on African traders, which were explicitly utilised in Paper 4, and the *Special Labour Censuses* presented in Paper 3 and employed in constructing social tables in Papers 1 and 2.

4.2 Analytic narratives

Bates et al. (1998) present an overview of an approach they label an analytic narrative because it combines both analytic tools characteristic of the field of economics as well as a narrative form closely related to historical research. Central to the analytic narratives approach is the extensive and parallel use of stories, accounts, and contexts together with an analytical or theoretical framework derived from economics. This approach provides a deep understanding of a phenomenon, avoids oversimplification and helps find more multidimensional descriptions of processes.

Following the analytic narrative approach, the interactions between the colonial powers and the African population can be re-evaluated and brought into focus. The different actors in the labour market in 20th century Kenya formed a complex web of instances, each of which had differing agendas. These included the British government in London, the Colonial Office in London, the colonial government and the administration in Kenya, settlers (settler farmers and small-scale industrial entrepreneurs), contractors, professional labour recruiters, local chiefs attaining labour, Asian immigrants, African professionals and public sector workers, and unskilled labourers (divided into different ethnicities, whose eagerness to participate in the colonial economy varied), as well as labour unions, to name a few. Investigating the underlying labour market dynamics and differentiation among these various groups provides a more thorough picture of the conditions influencing the inequality trends. The approach allows for combining quantitative with qualitative evidence from the various colonial government reports to construct a more robust narrative. The combination of both quantitative and qualitative data and narrowing down on the specific sectors in, for example, Papers 3 and 4, helps gain a more thorough picture of colonial inequalities.

The analytic narratives method helps deepen the understanding of the story of the formation of a skewed labour market that functioned in an unorthodox manner. It facilitates tapping into the complex relationship between public and private sectors, where labour shortages created immense pressure on the colonial government and helps clarify whose needs were put first and what weighed heavier when designing the colonial policies. Yet, the colonial context of Kenya is complex with the multiplicity of different actors and legal frameworks and the intricate web of relationships posed by different instances. The structures of dominance and dependence, as also described by Van Zwanenberg (1975), would require a more complex dataset to further tap into the relationships between different groups.

4.3 Social tables

The construction of social tables is an effective way of establishing long-term inequality trends, especially for societies for which little is known about their historical income structure and for which micro records do not exist (Von Fintel et al., 2023). Combining qualitative and quantitative evidence allows us to divide a population into different social classes and allocate an income to this group. The method dates back to Gregory King's estimate of population and wealth in England and Wales in 1688 and has been used both for Western experiences (Allen, 2019; Gómez León & De Jong, 2019; Lindert & Williamson, 2016) as well as to an increasing extent for the African context (Aboagye & Bolt, 2021; Alfani & Tadei, 2019; Bolt & Hillbom, 2016a; De Haas, 2017; Klocke, 2021). The advantage of this method is that it not only provides evidence of earnings at the very top of society but also incorporates the entire society, including the self-employed sector.

The social tables approach entails the specification and ranking of various income classes (or social groups) at different points in time. For this, we utilise the estimated average incomes of these various classes derived from colonial records and population censuses in line with the previous research (Milanovic et al., 2011). Social tables are a particularly apt tool when classes are clearly delineated, income differences between classes are large, and, respectively, when income differences within classes are small (Milanovic et al., 2011). The approach has certain drawbacks that need to be considered, including the disregard for within-group inequality, the issue of overlapping classes, and the number and size of the different classes (Von Fintel et al., 2023), which are discussed in detail in Papers 1 and 2.

4.4 Welfare ratios

Welfare ratios have been broadly used in previous literature to establish real wages (Bolt & Hillbom, 2016a; Bowden et al., 2008; De Zwart, 2011; Frankema & van Waijenburg, 2012; Klocke, 2021). The approach entails deflating the nominal wages by the cost of living represented by a consumption basket. A value below 1 indicates that the wage is insufficient for subsistence living, while anything above 1 means the basic needs were met. Allen (2001) has previously constructed a bare-bones subsistence basket for adult males in Britain consisting of 1940 calories per day. This basket has also been used to study living standards in sub-Saharan Africa (Bolt & Hillbom, 2016; Frankema & van Waijenburg, 2012). However, it has been criticised for not covering the actual nutritional needs of an adult, and to rectify the criticism (Humphries, 2013), several studies have increased the basket to contain 2100 calories (De Haas, 2017; Fibaek & Green, 2019; Klocke, 2021). Following this previous approach, the current study modifies the Frankema and van Waijenburg (2012) annual consumption basket for an adult worker to contain 2100 calories while maintaining three adult male baskets as a base for the family basket. The so-called envelope approach coined by De Haas (2017) (see also Klocke, 2021) has also been adopted. Consequently, the cheapest option of maize, millet or potatoes is chosen for the basket's construction, allowing for the substitution of the staples by the households.

4.5 Skill premiums

Skill premiums represent the relative cost of investments in human capital and various skills. In theory, the skill premium is, from the supply side, a reflection of the costs and returns of investments in education. From the demand side, it reflects a deficit of specific skills, either because of a discrepancy between technological change and education or an inability to attract skilled workers (Goldin & Katz, 2008; Van Zanden, 2009). Yet, racial discrimination and labour laws, especially in the colonial context, influenced the skill premiums. Therefore, they are not solely determined by the market forces of supply and demand but also by institutional pressures (Cooper, 1996; Klocke, 2021). Skill premiums are addressed in detail in Paper 2.

The present study calculates the skill premium following the approach by Van Zanden (2009) in which SP=skill premium, w_s=skilled wage, and w_u= unskilled wage:

$$SP = \frac{w_s - w_u}{w_u}$$

4.6 Limitations of the thesis

Several limitations to the dissertation need to be elaborated on to gain an understanding of the issues that guided the process of compiling the various papers and the aspects that could be subject to further research. Inequality estimates in this thesis are constructed for a specific period and context and, therefore, cannot reflect the experiences of the wide range of colonies that existed. The mechanisms driving the inequality trends are, thus, Kenya-specific but also pose an interesting departure point for the potential comparative studies across the range of colonial typologies, such as British versus French or Portuguese colonies and various types of *settler* colonies versus the so-called *peasant* colonies, and so on. In addition, because our social tables are based on income, the disregard of capital, especially in the top echelons of the income distribution, could lead to an underestimation of inequalities. Therefore, the study of wealth inequalities on an economy-wide basis, including various forms of wealth, could pose a possible future research avenue.

As the construction of social tables is very labour-intensive, they are usually produced only for specific benchmark years. Moreover, the choice of these benchmark years is guided by the availability of data, and in the case of Kenya, the previous benchmark years chosen by Bigsten (1987). While the current study does not precisely follow Bigsten's benchmark years, the ambition is to keep them close to each other. Other considerations, such as the gaps in the Blue Books series between 1916 and 1926 and the ceasing of the distinction between the skilled and unskilled wages after 1946, complicate the construction of harmonious social tables and wage series. At the same time, the trends in both population and income data series are influenced by global and local economic forces and natural disasters, such as economic depressions or famines. Therefore, a chosen year might reflect the conditions of that point in time and provide an estimate of inequality that significantly deviates from the trend. The year 1932 in Kenya might represent the effect of the Great Depression of the 1930s, while the benchmark year 1921 is also one of a more minor recession. To address these issues, the various papers attempt to provide a long-term view of the various trends by relying on time series of, for example, wages and employment records.

Biases of the colonial data sources are especially problematic as the statistics collected by colonial administrators were heavily Western-centric. The colonial records represent a specific agenda that was shared by its collectors. They possessed a particular worldview (Putnam, 2016), which guided their behaviour and placed a high value on one type of data while ignoring other kinds of information entirely. In colonial censuses, for example, no precise estimates of the African population, especially in the rural self-employed sector, were available before World War II. Some groups are, thus, invisible in the records, which complicates drawing robust inferences based on the available evidence. These discrepancies have been addressed by Frankema and Jerven (2014), who constructed an adjusted total population series for Kenya, which was also adopted by the current study.

Other data limitations of the current paper concern the quality and availability of harmonious nominal wage data. This data is sometimes expressed as averages and sometimes through ranges of minimum and maximum wages. For the public sector skilled group, all wage data is expressed as min-max, but for the unskilled group in this sector, the data is expressed as averages from 1931 to 1944. For the private sector skilled and unskilled groups, wage data for 1926 to 1931 is min-max, after which it changes to average before going back to min-max in 1945 and 1946. For the agriculture skilled group, data throughout the period 1926-1946 is min-max. For unskilled in this sector, it changes into an average from 1931 to 1944. For domestic service, everything is min-max until 1936, after which it is average, and then again min-max from 1940. This, in turn, complicates the calculation of skill and public sector wage premiums based on comparable series.

The accuracy of these colonial records and, especially, the Blue Books has been recently scrutinised by Westland (2022), who found staple food prices in these records to be unreliable for certain benchmark years when compared with the weekly market report prices. The author points out that prices for certain commodities stay "suspiciously constant from year to year" (Westland, 2022, p. 3). The issue of unreliable staple prices also affects the estimates of real wages since the consumption basket used to deflate the nominal wage series is valued based on the price series derived from the Blue Books. Westland (2022) shows that real wages or welfare ratios in certain years with high inflationary terrain can be significantly different when alternative market report price series to the Blue Books are used, and, therefore, the living standards of Africans can be somewhat misrepresented. However, in other years, real wages based on the Blue Books prices are more reliable. The conclusion is, thus, that the long-run trends in living standards based on the Blue Books data can still provide a steadfast reflection of reality if errors are not too large.

In sum, despite the shortcomings, the colonial records remain an important source for empirical research, and combined with other qualitative evidence, could widen the possibilities for future research avenues in African economic history. Statistics such as nominal wages as well as trade and public finances can be deemed relatively precise due to greater incentives of collecting this type of data for the sake of good administration of the colony (Westland, 2022). The greater statistical capacity of the so-called settler colonies lay in the greater number of administrators, and Kenya is named as a colony with the possibility for greater statistical precision.

Moreover, the digital turn has opened new avenues, and the digitisation of colonial records allows for the use of text-searchable sources, which, in turn, would enable the tracing of individuals, organisations, policies, and laws, among others (Putnam, 2016). This technological progress could facilitate the dismantling of the micro-level dynamics that drove bigger processes in colonial Kenya and help with the problem of finding the groups that, to this day, have been hidden from the official records. The development in technology and digitisation could allow closer scrutiny of sources that have not been systematically used for information retrieval. These include newspapers from colonial times, correspondence, and odd reports by various colonial administrators.

5 Summary of papers

This thesis consists of four individual papers, of which Papers 3 and 4 are single-authored. Paper 1 was co-authored with Maria Mwaipopo Fibaek and Paper 2 with Ellen Hillbom, but in both papers, I was the lead author. For Paper 1, Maria Fibaek contributed with the construction and data work of social tables for the rural sector as well as the extensive appendix regarding the construction of rural sector population and income estimates. I was responsible for merging the formal wage sector and rural sector social tables, doing the data work for estimating inequalities (Gini, Theil and IER), and framing and writing the paper. For paper 2, I was responsible for data work, the discussion of the results as well as the sections dealing with the Kenya-specific historical background. Ellen Hillbom contributed to the framing of the paper as well as took charge of the introduction, literature review, and parts of the methodology section.

Paper 1: Income inequality and its drivers in Kenya, 1921-1960

Economic inequality has remained topical in the research of sub-Saharan Africa (Anderson & McKay, 2004; Bigsten, 2018; Chancel et al., 2023; Frankema et al., 2023; Hillbom et al., 2023) while there is also an increasing effort to trace the origins of present-day inequalities back to the colonial era (Acemoglu et al., 2001; Angeles, 2007; Bigsten, 2018; Van de Walle, 2009). While relatively little is still known about the historical long-term economic inequality trends in the region, studies implementing the social tables approach to study the drivers of historical inequality have taken significant strides to remedy this gap in the global inequality literature (Aboagye & Bolt, 2021; Alfani & Tadei, 2019; Bolt & Hillbom, 2016a; De Haas, 2022; Klocke, 2021). The first paper of this dissertation, therefore, tackles the challenge of exploring the economy-wide income inequality in colonial Kenya, carefully following the methodological approach of the previous investigations into the sub-Saharan African region outlined before.

Bigsten (1987) has previously studied income inequality in Kenya and utilised the established models of inequality by Kuznets (1955), and especially Lewis (1954), to demonstrate the dynamics between modern and traditional sectors and the interaction between economic growth and the levels of economic inequality in Kenya from 1914 to 1974. He characterises Kenya as a dualist economy, where the differences between the modern and traditional sectors[9], together with racial inequality, were the drivers of income gaps. The dualist models have, however, been criticised for neglecting the institutional factors influencing inequality outcomes (Arrighi, 1970), and these factors also receive lesser attention in Bigsten's (1987) study. Thus, the current paper departs from the previous research by Bigsten (1987) and applies a new approach to constructing social tables while also problematising and elaborating on the drivers of income inequalities by considering the institutional explanations of inequalities.

Accounting for the institutional factors is especially warranted due to the perceived higher levels of racial inequality resulting from the higher concentration of settlers in colonies (Angeles, 2007; Hillbom et al., 2023). This theory is a reiteration of the well-known thesis by Acemoglu et al. (2001), which states that where Europeans could not settle in large numbers, they established extractive institutions to capture economic rents. This interpretation, nevertheless, neglects variation in colonial rule throughout Africa as well as African agency in shaping colonial policies (Austin, 2008b). While European settlers were a minority in Kenya, they constituted a significant group compared to the circumstances in the so-called *peasant* colonies, where the production was in the African hands and settlers were relatively fewer. Europeans in colonial Kenya amassed considerable power, yet the objectives of the colonial state did not always coincide with those of the settlers (Lonsdale & Berman, 1979). At the same time, African resistance grew over time and influenced the colonial policy (Atieno-Odhiambo, 1995). Exploration of the extractive nature of the colonial institutions in Kenya is, hence, a central aspect of the paper.

The paper uses primary data collected at the national archives in the United Kingdom and Kenya to produce new estimates of long-run incomes for 28 social classes in Kenya and to estimate the inequality between these classes using the social tables method. In doing so, the paper breaks down the different income groups in a more comprehensive manner, especially when it comes to the African smallholder sector. The bottom-up approach of the current paper, based on meticulous archival work, also provides a more thorough investigation of the incomes of various groups compared to Bigsten's (1987) top-down approach. The latter approach is based on distributing estimates of national incomes between the various income classes. These estimates are, however, increasingly poor in quality the further back in time one travels and are lacking entirely for the first decades of the colonial period.

We find relatively low levels of income inequality in 1921, expressed by a Gini coefficient of 0.34, which contradicts the initial higher levels of inequality found by

[9] Modern sector refers to the industrial/capitalist sectors of Lewis (1954) and Kuznets (1955) but also includes the European farming sector where the production was mainly for the markets. The traditional sector refers to the agricultural/subsistence sectors that, in this case, mainly constituted African farming.

Bigsten (1987). The low initial levels of inequality can be explained by low levels of early colonial economic development, also showcased in the GDP per capita series by Broadberry and Gardner (2022), and the dominance of the African smallholder sector living close to subsistence. Yet, as the high levels of the Inequality Extraction Ratio (IER) in Table 1 show, Kenya was far from an equal society. Income inequality also incrementally increased towards the end of the colonial period and reached a Gini of 0.57 in 1960, although the most oppressive institutional measures were already abandoned, according to Mosley (1983).

Table 1. Actual Gini, Maximum feasible Gini, and IER 1921-1960.
Source: Author's own calculations.

Year	Actual Gini	Maximum feasible Gini	Inequality Extraction Ratio (in %)
1921	34.34	38.47	89.26
1932	38.46	42.24	91.05
1946	42.94	47.52	90.36
1960	56.61	64.71	87.49

Contrary to Bigsten (1987), who utilises theories by Kuznets (1955) and Lewis (1954) that highlight the role of economic growth and structural change as drivers of inequality, the current paper does not find that these factors can fully explain the rise in inequality. Instead, institutional aspects of the colonial history of Kenya are highlighted. The driver of the rising income inequality trend is found in the growing racial income gap, which was also noted by previous studies (Bigsten, 1987; Hillbom et al., 2023). This gap was perpetuated through coercive labour practices and institutional measures prohibiting African capital accumulation. As the high IER demonstrates, most of the potential inequality in Kenya was transformed into actual inequality and institutional factors related to what Milanovic et al. (2011) term extraction played an essential role in creating these disparities.

Consequently, examining the Gini coefficient alone will not reveal much about the actual state of inequality, which in pre-industrial societies was often much higher when measured by the IER. Yet, the racial disparities and growing overall inequality cannot be solely explained by extractive institutions. Although productivity differences between Europeans and Africans were institutionally induced in Kenya, Europeans also had superior access to both human and physical capital, which they brought with them. At the same time, African productivity was initially on par, if not higher, compared to European productivity and increased, especially after World War II. Meanwhile, differentiation within the African population, which distinguished the skilled wage working population, and growing inequality, especially among Europeans, was substantial. Further, African resistance in the form of labour protests and organised political action in organisations such as the Kikuyu Central Association and various trade union movements in the late colonial period demonstrated the active participation of Africans in shaping colonial economic and institutional life.

Paper 2: Inequalities and opportunities in Kenya's colonial wage sector

Paper 2 provides a closer look at one of the most unequal sectors in colonial Kenya – the wage sector. This enables a more meticulous examination of the drivers of inequality discussed on an economy-wide scale in Paper 1 by adding details to three specific dimensions of income inequality according to which the income classes of the social tables are built: racial inequality, gender inequality and inequalities pertaining to skills. The paper combines the analysis of income inequality through the social tables approach with the construction of real wages (or welfare ratios) and skill premiums to capture the trends outside of the benchmark years of social tables.

The shock imposed by the process of colonisation and the subsequent transformation of the economy of the Kenya Colony produced new types of socio-economic differentiation along the divides between Europeans, Asians, and Africans. However, as new economic sectors such as industrial mining, plantation systems, agro-processing, and public services were developed to complement and challenge the established agriculture, trading, and handicrafts, these also provided new wage-earning opportunities for Africans. Numerous studies have addressed the colonial wage sector in relation to real wages, living standards, education, skill premiums, urbanisation, and sectorial change (Aboagye, 2021; Bowden et al., 2008; Frankema & van Waijenburg, 2012; Juif & Frankema, 2018), which entail dividing the sector into non-communicating segments. In the overarching social tables studies, the sector-specific processes related to inequality have, in turn, become overshadowed by the economy-wide trends (Aboagye & Bolt, 2021; Alfani & Tadei, 2019; Bigsten, 1987; Bolt & Hillbom, 2016b; De Haas, 2022). To address this, the current study asks: How did income inequality in the wage sector develop, both overall and among African workers specifically? What were the main dimensions (race, skill, gender) and drivers (real wages, skill premiums) of wage differentiations?

We find consistently high inequalities within the wage sector, ranging from 0.63 in 1921 to 0.62 in 1960. In 1932, the Gini coefficient reached 0.69 as the African wage workers lost out compared to other groups due to the detrimental effects of the Great Depression on the economy. While we observe a consistently high trend in inequality, the drivers of this inequality were far from uniform. The growing racial divide of the 1930s was followed by growing within-group inequality among African wage workers, while towards the end of the colonial period, the racial disparities seemed to be on the rise again. A closer look at the wage trends reveals that although the nominal wages were on the increase throughout the colonial period, except for the significant drop during the Great Depression, the real wages for the skilled groups seemed to be experiencing a declining trend in the decade close to independence. Also, our calculations of skill premiums for Africans show that there was a drop in skill premiums during the 1930s and again in the 1950s, which aligns with previous research. However, we also show that there were fluctuations in skill premiums already before the late colonial period (Frankema & Van Waijenburg, 2023). Moreover, we highlight the institutional aspects of the declining trend, as the 1950s saw a more developmental approach by the colonial administration with attempts to raise the living standards of especially African urban workers through minimum wage legislation. Overall, the relative success of the African public sector workers is noted in the paper, which spurs further investigation into the disparities between the public and private sectors and public sector premiums in colonial settings, which are dealt with in Paper 3.

Paper 3: Exploring the public sector expansion, occupational structure and public sector wage premium in Kenya Colony

Having analysed economy-wide income inequality in Paper 1 and delved into drivers of inequalities within the wage sector in Paper 2, the focus of Paper 3 shifts to dissecting the wage sector even further with regard to the differentials between the colonial public and private sectors. The growth of public sector employment among the wage-earning population in the countries of sub-Saharan Africa has been particularly remarkable. This expansion of the public sector has sparked concern over the expensiveness and unproductiveness of the civil service and the effect of these factors on development (Gelb et al., 1991; Lindauer & Nunberg, 1996). The existing literature also finds a public sector wage premium both in the Global North and South (Gindling et al., 2020; Kwenda & Ntuli, 2018; Nielsen & Rosholm, 2001; Wörgötter & Nomdebevana, 2020), which is explained by the specific skill-intensive nature of the public sector but also by the higher concentration of trade unionism and the close alliances of the public sector actors with the political sphere.

Historical dynamics of public-private wage differentials are, nevertheless, only narrowly explored, and a significant gap exists in the understanding of the colonial era differentials, especially regarding the African wage workers. Paper 3 investigates the public sector expansion, occupational structure, and public-private wage differentials in colonial Kenya, where the significant settler presence and relatively extensive administration were conducive to the expansion of the public sector. This was most tangible in the late colonial and early post-independence periods when the public sector constituted 46% of all wage employment outside agriculture in 1966, while private sector employment stagnated from the 1960s to the 1970s (Vinnai, 1974). The expansion of the public sector and the consecutive Africanisation of this sector provided opportunities for Africans, and many of the Kenyan post-independence elites could, indeed, be found in state employment (Simson, 2020). Therefore, the focus of this study is specifically on the African wage workers and public-private wage differentials among this population. It asks the research questions: How did the public sector expand in terms of revenue and expenditure structures and employment? What were the similarities and differences between the occupational structures in the private and public sectors, respectively? What was the extent of the public-private wage differentials, and how can we explain the public sector premium?

The paper finds a gradual expansion of the public sector reflecting the increasing revenues and grants-in-aid by the British government in the late colonial period, which allowed greater spending on infrastructure and public services. This trajectory was fortified by the growing population requiring more extensive social services as well as growing participation by Africans in wage work. The very presence of settlers in Kenya resulted in a relatively larger administration, and the British practice of indirect rule, where the local government was in the hands of the indigenous populations, led to Africans incrementally gaining more opportunities in the public sector. While unskilled work was predominant among the African wage workers, with Europeans placed in the top echelons of the civil service, the *Special Labour Censuses* reveal that the occupational structure of the public sector was somewhat skewed towards the more skilled clerical positions compared with other sectors. With the Africanisation of the public sector, it came to employ most of the educated and highly paid workers in the late 1960s (Simson, 2017).

Lastly, the study finds a public sector wage premium, although the particular colonial context does introduce nuances to the standard theoretical frameworks of the labour market dynamics. As opposed to prior research on the modern-day labour markets that finds a penalty for the higher cadres of public employees and a premium for the lower-skilled public employees (Blank, 1993; Gindling et al., 2020), the current study finds a nearly consistent wage premium for the skilled public sector workers while the public sector wage premium for the unskilled workers only emerges in the 1940s. In a colonial environment, this wage premium strides against the logic that was otherwise based on coercion rather than providing incentives. Collier and Lal (1986) explain this premium among skilled workers by emphasising the seniority structure of wages, which was aimed at retaining the scarce skilled labour by providing monetary rewards in the form of promotion ladders. On the unskilled side, the wage premium could be seen as emerging as a consequence of labour protests and the consequent government actions towards improving the living standards of especially urban workers, with the public sector leading this development.

Paper 4: Enterprising Africans: Economic expansion and institutional barriers in colonial Kenya

The last paper shifts the focus from the public sector to the private sector, especially the part of the private sector that has been especially hard to capture – the self-employed business activities of Africans. Inequalities in this sector emanated from the racial discrimination discussed extensively in the previous papers but also from the dominance of Asians in the self-employed trading sector specifically. Records and statistics of the extent of these activities among both Africans and Asians are hard to come by, and much of the data comes from qualitative sources. While there were lively inquiries into African entrepreneurship in the 1960s and 1970s (Hogendorn, 1978; Kilby, 1965; Marris & Somerset, 1971; Nafziger, 1977), current studies on entrepreneurship largely lack Africanist insights, especially from a historical perspective. Notable exceptions to this constitute the studies of Hopkins (2024) and Ochonu (2018), who have attempted to amend the theoretical understanding, which relies on the experiences of industrially advanced countries, by accounting for the historical realities of African pre-colonial and colonial economies. They highlight the versatility and flexibility of the African entrepreneur, who often was a sole operator of a small-scale business. Frederick (2017) has also, for example, highlighted the perseverance of African cloth production amidst imports of cheap, factory-produced manufactures from industrialising regions.

The abovementioned gaps motivate further investigation into African entrepreneurship from a historical perspective, especially considering the deep pre-colonial roots of entrepreneurship in Africa (Odey, 2018; Ogonda, 1990) and the colonial impact on these activities. African economic history literature delineates that in the non-settler economies of Western Africa, including Ghana and Nigeria, where Africans dominated the export markets and seized commercial opportunities early on, colonial authorities supported rather than repressed African enterprise (Austin, 2008b; Austin, 2010). In settler colonies, similar encouragement was not the case because concentration on European production resulted in large-scale land appropriation and coercion of Africans into wage labour. However, the mere presence of settlers is said to have resulted in a more diversified economy, including a variety of manufacturing activities, which presented an alternative route for African entrepreneurs. While entrepreneurs in non-settler colonies often came from the artisanal sector and established small-scale businesses, African industrialists that emerged especially after independence could, in settler colony settings, often have previous experience working for foreign enterprises (Iliffe, 1983). The current paper investigates whether African entrepreneurship was, indeed, stifled in the context of a settler economy in Kenya or whether there were increased opportunities for African formal sector entrepreneurship due to a more diversified economy. More specifically, it seeks to answer the following research questions: How did African entrepreneurship develop in the context of the expanding colonial private sector, and what type of activities did it cover? Who were the African businessmen on the eve of independence?

With evidence from the *Provincial and District Annual Reports*, reports on African traders and businessmen from the Kenya National Archives, as well as previously underutilised sources like the *Kenya Gazette* and *Who is Who in East Africa*, the paper finds the relatively infrequent occurrence of African licenced traders in the

1930s and a slowdown in the incorporation of African companies in the 1950s. Moreover, data on the successful late colonial African businessmen shows that they could boast a range of different occupations throughout their careers, while a distinctive feature uniting them was their close ties to the public sector. There is, however, no evidence of a lack of African entrepreneurship, as many small-scale operations were viable in the informal sector, and the changing regulatory framework of the colony also enabled the setting up of cooperative enterprises from the late 1940s. Figure 3 shows the exponential increase of cooperative societies, including not only producer cooperatives but also consumers' cooperatives. This cooperative form of enterprise has also continued to thrive after independence.

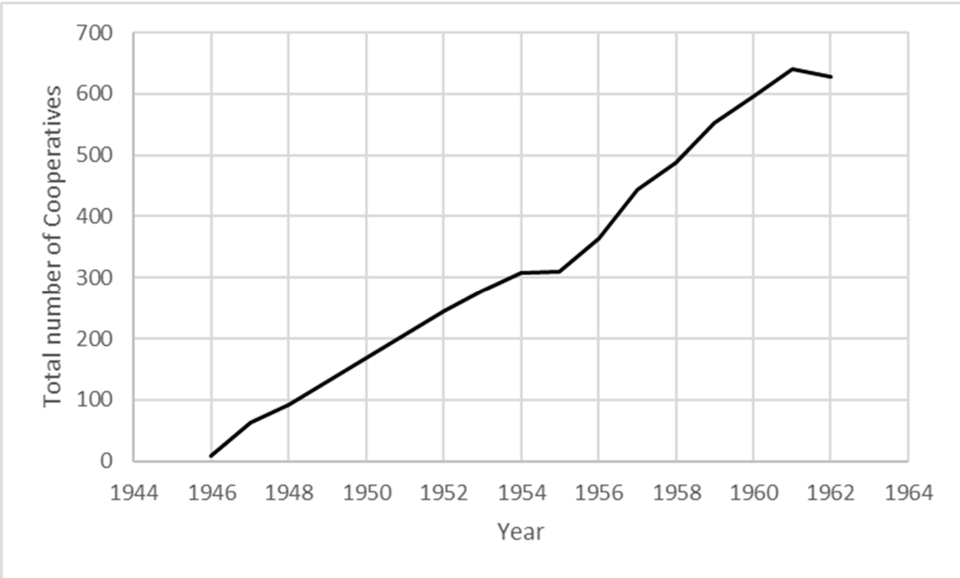

Figure 3. Total number of registered African Cooperative Societies.
Source: Registrar of Cooperative Societies 1947-1962.

6 Conclusions

Given the importance of a historical lens for understanding inequality trends and mechanisms driving these trends, this dissertation set out to assess the levels, trends, and dimensions of economic disparities in colonial Kenya. This approach is significant given the country's colonial past as well as the high levels of inequality today and the challenges it still faces in catching up with the best-performing nations in sub-Saharan Africa despite achieving the status of a lower-middle-income country (Kimenyi et al., 2015). An essential aspect of this inquiry is the detailed breakdown of different sectors and societal groups in light of the prominent debates in the historiography of Kenya, given that the differentiation among the indigenous population is often overshadowed by the overt racial inequalities of the colonial era. The current study, thus, attempts to illuminate economy-wide trends and combine them with the understanding of how the inequalities in the wage sector and, more specifically, among the African wage workers in the public and private sectors and among the entrepreneurs in the private sector contributed to the overall inequality. A closer examination of whether the colonial policies were especially detrimental in settler economies or whether there was room for successful Africans in this environment is at the core of the current study.

The previous analyses of inequalities in settler economies such as Kenya paint these colonies as extremely extractive with state structures and institutions that perpetuated inequalities between sectors and people to the advantage of the white population (Angeles, 2007). The skewed colonial conditions in Kenya, indeed, led to the dominance of Europeans over Africans and Asians, with the colonial top-income groups consisting of European large farmers in Coast, Southern, and Nyanza Provinces as well as European expatriates in the public and private sectors. This is not to say that Africans did not grab the opportunities provided by the slowly expanding economy. There is evidence of increases in African production, and differentiation among African farmers increased towards the end of the colonial period. Meanwhile, participation in the wage sector activities expanded, and the number of Africans in skilled positions in the wage sector grew over time. The skilled groups in the formal wage sector could, indeed, drastically increase their share of the total income over time. The ones in the highest posts of the civil service could distinguish themselves, although they were still not as successful compared to Europeans or even Asians. At the same time, especially unskilled urban workers were able to raise their living standards as a result of government policies regarding minimum wages.

The meticulous collection of original quantitative and qualitative archival data in the current study contributes to the refined understanding of various colonial income and social classes while it also allows for a more thorough contextualisation and analysis of the forces driving inequalities among these different groups. The careful dissection of inequalities emanating from differences in race, sector, skill, gender, occupation, and geographical location in this dissertation, thus, allows for a more meticulous outlook on the underlying factors. The evaluation of sector-specific inequalities in different papers allows for the combination of different approaches to the estimation of inequalities and illuminates the more fine-grained drivers of the overall inequality. The study highlights the role of the expanding public sector, its structure and remuneration, as well as the barriers faced, and opportunities seized by the indigenous populations in the private sector entrepreneurial activities and their contribution to the inequality trends.

Measuring the levels of inequality and disentangling the mechanisms driving the inequality trends, indeed, requires a thorough understanding of the complex colonial context. Inequality expressed in the Gini coefficient does not adequately express the magnitude of inequalities in a setting where the level of economic development was relatively low and the number of Europeans relatively few compared to the masses living close to subsistence. This was also the case in Kenya, where the Gini was only 0.34 in 1921, the first benchmark year of the social tables. Therefore, the Inequality Extraction Ratio, indicating the extent to which the potential inequality is turned into actual inequality, is a better measure. While the actual inequality in colonial Kenya was low (although increasing over time), the IER was persistently high, with the actual inequality approaching the frontier of maximum possible inequality, implying that the society was highly unequal and extractive.

Institutional drivers are used to explain the high IER and the growing levels of inequality in Kenya with coercive labour practices and various legislative mechanisms designed to disenfranchise Africans. Yet, extraction as part of this institutional explanation does not tell the entire story. Europeans struggled to establish profitable farming operations, and the productivity differences between Europeans and Africans could also be explained by the superior access of Europeans to both human and physical capital that they brought with them. Moreover, African labour action and political participation played a significant role in shaping colonial policies. While the racial dimension was the most crucial element in increasing the economic disparities, there was growing differentiation both among Europeans and Africans, especially towards the end of the colonial period. Africans working for wages in the public sector could earn a premium due to the seniority structure used to retain scarce skilled labour. At the same time, while African business activities were first discouraged and later encouraged to a varying degree of success, leading to the rise of African industrialists only after independence, some entrepreneurial stories of particularly successful individuals can be recorded.

The aggregate trend of increasing colonial inequality, indeed, hides underlying dynamics that can be illuminated through a more thorough breakdown of the sectors. The racial income disparities in the wage sector were particularly notable during the Great Depression, while the dispersion of incomes among Africans was an important driver of economic inequality within this sector in the mid-1940s. Despite the highly unequal, racially segregated public sector structure, the public sector wage premiums among African wage workers were at times particularly high but variable. The late colonial emergence of public sector wage premiums among unskilled workers, in turn, speaks to the importance of institutional measures taken to improve the living standards of unskilled urban wage workers. Moreover, the alignment of wage work with entrepreneurial endeavours in the private sector contributed to distinguishing certain groups while confining many others in the informal sector activities. At the same time, the expansion of communal forms of entrepreneurial activities in the form of African cooperative societies from the 1940s, which coincided with the implementation of the Swynnerton Plan aimed at boosting smallholder agriculture, led to increased opportunities for many who otherwise lacked capital for running of a successful enterprise. All in all, there was a set of dynamic mechanisms contributing to the inequality trends, with certain factors sometimes cancelling each other out in the aggregate estimates of inequality, consequently urging for a more fine-grained approach to studying economic inequality on a nationwide basis.

Yet, the interpretation of inequalities and the identification of top groups within the income distribution based on the Western understanding of status, income, and wealth hinders the analysis of inequality among the indigenous population and successful groups within it. Therefore, further understanding of material life in Africa and how it influenced colonial inequality is crucial since what could be seen as an asset took many forms, one of the most drastic forms being people (Guyer & Eno Belinga, 1995). The fluctuating conditions of land ownership among the Kikuyu, the significance of livestock as the main foundation of wealth for the Kamba and the Maasai, together with hierarchies based on the allocation of important roles and privileges in the social system in Kenya (Ogot, 1976; Tignor, 1976) could provide further insights into the extent of inequalities. This points to interesting opportunities to study the intertwinement of traditional and modern perceptions of material status and the implications of this for a thorough understanding of colonial inequalities.

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Economic Disparities in Colonial Kenya

Economic inequality is one of the central development challenges among many countries of sub-Saharan Africa today. Kenya shares this concern as it is characterised as belonging to the group of countries with high levels of inequality. The colonial history, with its discriminatory practices and institutions, can be seen as providing a key to interpreting modern-day development challenges. How unequal was the Kenyan colonial society, and what were the factors driving these inequalities?

This dissertation sets out to answer these broad overarching questions through four interrelated papers. The investigation commences with an economy-wide analysis and then progressively narrows it down to different sectors, highlighting the experiences of various societal groups. It uncovers the drivers of differentiation in the highly unequal wage sector and then focuses on the inequalities ingrained in public employment and entrepreneurial activities in the private sector. A particular focus is placed on the differentiation within the African labour force, a perspective often overshadowed by the overt racial inequalities of the colonial era. The various papers depart from the previous debates in the historiography of Kenya and supplement these with original quantitative and qualitative data collected from the archives and libraries in the UK and Kenya.

The dissertation finds initially relatively low but gradually increasing income inequality throughout the colonial period when measured with Gini coefficients. However, measures such as the Inequality Extraction Ratio show that much of the potential inequality was transformed into actual inequality, making Kenya a highly unequal colony. Yet, the institutions perpetuating racial inequalities only provide a piece of the inequality puzzle, as the restrictions and opportunities arising from colonial rule had differing effects on inequalities among Africans.

Printed by Media-Tryck, Lund 2024 NORDIC SWAN ECOLABEL 3041 0903

LUND UNIVERSITY

Department of Economic History
School of Economics and Management

Lund Studies in Economic History 111
ISBN 978-91-87793-96-7
ISSN 1400-4860