CLASS-BASED CONFLICTS: The Impact of Structural Adjustment in Kenya.

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November, 1997.

I. STRUCTURAL ADJUSTMENT AND CLASS-BASED CONFLICTS IN KENYA.

I.1: Conflict: a definition

I.1.1: Conflict is serious disagreement or argument between two or more parties. Quite often when parties are in serious disagreement and are unable to resolve their differences they resort to violence. The differences between groups may be the result of the workings of an economic system. For example, according to Karl Marx the capitalist system inevitably divides society into two groups with conflicting interests: the proletariat who own nothing but their labour power which they sell to the capitalists in return for wages, and the bourgeoisie who own capital and land and employ the proletariat for a subsistence wage in order to make profits. Marx posits that capitalists maximise their profits by keeping wages as low as possible, usually at the subsistence level. This impoverishes the workers. Therefore the accumulation of capital and wealth takes place at the expense of the proletariat (i.e immiseration of the workers). As capitalist development proceeds the bourgeoisie become wealthy and the proletariat become poorer. Thus the capitalist system is said to breed internal contradictions: the proletariat come to realise that the wealth and good life of the bourgeoisie are realised at the expense of their welfare hence they make it their prime objective to overthrow the capitalist system. The capitalists become their arch enemy. On the other hand the capitalists know that they can accumulate more capital and wealth by extracting more economic surplus from the miserable workers. Their desire therefore is to keep the proletariat oppressed so that they can exploit them. They are able to do this through the use of state power (i.e., the ability to coerce). In the end serious conflicts arise resulting in violence. Good examples are the French Revolution of the 18th Centuary, the Bolshevik Revolution in Russia in 1917, the Cuban Revolution, and others in the Peoples Republic of China, Ethiopia, among others. In all these cases feudalism (and in some cases) capitalism led to social differentiation, splitting the society into two: the haves who own and control the means of production and wealth, and the have-nots who have nothing to offer except there labour power. The haves resort to coercive state power to force the have-nots to accept their condition of economic deprivation and misery so that maximum surplus can be extracted from them. In many cases the have-nots realised that by banding together they could move against the haves, overthrow them and liberate themselves from their misery. History shows that such conflicts and revolutions are accompanied by bloodshed, genocide and wanton destruction of property and wealth.

I.1.2: Kenya is a capitalist society. This has been the case since the country was declared a colony early in this century. Initially, the bourgeoisie in Kenya consisted of Asian merchants who brought goods into Kenya from India, Great Britain and other foreign countries, and exported goods from Kenya to foreign countries. These were joined by European settlers who went into farming producing wheat, maize and, milk on a large scale and cash crops such as sisal, coffee and tea. During this time industrial development in Kenya was at its infancy, with the main industries involving milling of maize, wheat and other cereals, tailoring, and simple cloth manufacture. This group included the elite particularly in civil service, such as the Colony's Governor and members of his administration who held high positions. Together they constituted the beginings of the class of the bourgeoisie. They owned the land and controlled it. They also owned the little industrial capital that existed then and controlled the commanding heights of the economy.

I.1.3: On the other hand, were the Africans most of whom lost their land by colonial edict. They were also excluded from commerce and trade and did not hold positions of much import in the administration. Thus a process was initiated which converted the Africans into a nascent proletariat: with no land or capital, they could only survive economically by selling their labour power, which they did especially to the plantation owners, and to the merchants for a mere pittance. Furthermore in order to ensure the extraction of the maximum profit possible from the Africans, the colonialists forced the Africans to offer their labour free of charge (i.e. the forced labour declarations of the 1920s) especially to ensure supply of labour to the White Settlers. By thus getting very cheap or free labour the Europeans were able to extract the maximum economic surplus possible from the Africans and hence accumulate capital and wealth at a very fast rate. In desperation, Africans sought productive engagement in trade and commerce which were controlled by the Asian merchants. As they moved in droves into these markets, the supply of unskilled labour increased, depressing wages to or below subsistence levels. This enabled the Asian merchants and budding industrialists, to access cheap labour and hence accumulate capital and wealth rapidly. The Africans realised from the beggining that their position could be changed for the better only if the haves (i.e. the European administrators, settlers, and elite together with the Asian merchants and budding industrialists) were removed from the scene. Therefore they started to agitate for independence, both political and economic. This desire to have economic independence led to the war of liberation (the Mau Mau rebellion) and to independence in 1963. Thus when Kenya became independent class formation was proceeding at a fast pace: the have-nots who were comprised of the indegenious people and the haves who were mainly foreigners such as the British, other Europeans and the Asians.

I.1.4: After independence these classes remained: what changed were the elements which constitute each class. For example, among the emerging capitalist groups the European settlers were replaced by an African elite who took over the farms. The colonial administrators who were mainly British were replaced by Africans. However, although attempts were made to replace the Asians in trade and commerce this were not very effective as up to today the Asians control about 75 per cent of the Kenyan industry while they constitute only 0.3 per cent of the population. At the bottom were the African masses: the landless, petty traders, peasants, and the poor. The new government in Kenya pursued the colonial policies intended to keep wages low inorder to maximise profits and the rate of capital accumulation. This led to internal contradictions in the social stratification, which has been a source of destabilizing forces in Kenya.

II. STRUCTURAL ADJUSTMENT PROGRAMMES AND POVERTY IN KENYA

II.1: Introduction

II.1.1: Although there have been a number of papers written on the impact of structural adjustment programmes on the welfare of the poor and vulnerable groups in Kenya, there has been little systematic analysis of the manner in which adjustment policies affect poor households, and of the process of class formation and the development of class conflicts. This paper attempts to address these issues through an analytical base for considering the impacts of adjustment at the household level.

II.1.2: Structural adjustment in Kenya started as early as the mid 1970s. However, initially the adjustments undertaken were not of much significance, since they were mainly involving tinkering with the economy without changing it much. Thus up to the end of 1980 Kenya's economy continued to resemble the command economies of such countries as Tanzania, with a plethora of chocking regulations and controls on most markets and economic activities. This resulted in economic stagnation and called for major structural adjustments to the economy. Bold adjustment measures were taken towards the end of 1980 and involved, inter alia:

1. **Decontrol of prices in the economy.** Today almost all prices in Kenya have been decontrolled. This has been part of a comprehensive economic liberalisation process implemented by the Government with the support of the IMF and the World Bank.

2. **Removal of subsidies.** The Government removed subsidies on fertilisers, transport and fuels. Those on education, health care and other social services were lowered. As subsidies on most social servcices were lowered they were replaced with user charges under cost sharing schemes.

3. **Devaluation and later floating of the Kenya Shilling.** This was accompanied by the removal of almost all foreign exchange controls and restrictions. Kenya is now pursuing a liberal foreign exchange policy. Immediately after this the Shilling depreciated sharply, a process similar to devaluation. Devaluation differs from other elements of macroeconomic adjustment programmes in that its economic impact is much more indirect, operating through a complex range of effects on the prices of different goods incomes and employment opportunities in different sectors of the economy.

<u>The Rationale for Devaluation</u>

- All the commodities in any economy can be classified into two groups: tradeables and non-tradeables. Tradeable commodities are those which are or could be imported or exported. Non-tradeable commodities are those which are traded only within the domestic economy.

- There are five reasons why a commodity might be non-tradeable:

  (a) it may be perishable, so that it loses its value in the time it takes to transport it internationally. Examples include bread and liquid milk.

  (b) international trade may be hindered by the cost or difficulty of transportation. Examples include produce from isolated areas or bulky goods worth relatively little compared to their volume or weight;

  (c) the quality of a domestically produced good may be lower than that of the equivalent goods traded internationally. Examples are motor vehicles assembled in Kenya.

  (d) there may be virtually no demand for the good (or supply of it) outside one particular country due to differing tastes or cultures. An example is rats eaten in the Coast Province, Kenya.

- It is worth noting that many services are generally regarded as non-tradeable since by their nature they are provided within the domestic economy. Examples are:

  (i) trading services such as banking and insurance.

  (ii) government services like police protection.

- Thus the rationale for devaluation in the context of macroeconomic adjustment programmes is that it increases the prices of tradeables (thus encouraging their production and discouraging their consumption), while making non-tradeable relatively cheaper. The objective is to reduce the domestic demand for exportables, thus leaving more available to be exported; and at the same time to encourage increased production of exports and import-substitutes. In this way, devaluation is intended to improve the country's balance of payments position.

Devaluation and Household Income

- The effect of devaluation on household incomes depends on the way in which each household is involved in the production process. This involvement can take two forms:

1. Production of (tradeable or non-tradeable goods by the household for direct sale in the market. In the urban areas tradables are generally produced by the rich. These include import substitutes such as motor vehicles and television sets. Non-tradables are generally produced by the poor. These include most of the products of the informal sector and most micro and small scale industries.

2. Supplying factors of production (land, labour, capital or human capital) to other production units (including the government, private firms and other households) in return for rent, wages, interest, etc. Most of the urban poor in Kenya fall under this category.

- In the former case, the relationship between the price effects of devaluation and the household's income is direct:

  1. if the price of the commodity produced by the household as a result of structural adjustment rises (that is, if it is a tradeable good) the household's income will also rise;

  2. if the price of the commodity produced by the household falls, the household's income will also fall.

- However, the price of some inputs (e.g., imported seeds or fertilizers in the case of small scale farmers) will be increased by devaluation, increasing production costs and thus reducing income. In this case where a household's income is derived from the supply of factors of production to the economy, the effect of devaluation is indirect, operating through the impact of price changes on the pattern of production and the demand for and supply of each factor.

The income effects of adjustment measures on the urban poor.
Adjustment measures have several indirect income effects on the poor:

A. Devaluation of the local currency leads to a fall in the real prices of non-tradable goods. Producers of non-tradable goods include small holders who produce subsistence food, and workers in the informal sector and others whose output is not traded outside the country. Therefore when Kenya devalued its currency, the urban poor (especially those engaged in the informal sector) experienced a fall in their real incomes due to the decline in the prices of the commodities they produce (i.e they became poorer).

B. Since adjustment measures generally reduce the level of demand in the economy, this leads to a decline in the demand for labour. As a result the level of employment and real wages decline. Therefore when the Government implemented structural adjustment programmes by reducing the wage bill through retrenchment in the civil service, reduction in government spending to reduce the budget deficit, the removal of subsidies, and the decontrol of prices, aggregate demand in the economy contracted thereby reducing the demand for goods and services even from the informal sector. Urban unemployment increased and incomes of the urban poor plummeted precipitously. This has aggravated urban poverty.

C. As unemployment increases in the formal sector the affected households are forced to find incomes from other sources. They often turn to the informal sector. At the same time, some households which remain in the formal sector find their real incomes falling due to the fall in real wage rates and often seek to supplement their incomes in the informal sector. The net effect is to increase the supply of labour to the informal sector which depresses real wages further in this sector and increases the rate of unemployment. As Kenya proceeded with structural adjustment programmes there was a groundswell of informal sector operators who were at the same time becoming more miserable and desperate as they coalesced into an economic sub-class of the urban poor.

The expenditure effects of adjustment measures on the urban poor.
Expenditure effects relate to changes in the relative prices between different goods. Their effects arise from their impacts
by the rate of inflation based on different households and therefore to the purchasing power of their incomes. There are four main groups of commodities whose prices increase in relative terms as a result of adjustment.

1. **tradable goods.** Examples are imports, import substitutes and goods which could have been exported. Devaluation increases the prices of these goods in terms of the local currency. For example, goods consumed by the poor such as second hand clothes, low-priced consumer goods, etc., increased in price when the Shilling was devalued. This means that the poor can afford fewer of such goods than was the case before devaluation: thus they are poorer in real terms.

2. **goods which were previously subject to price control or subsidies.** The prices of such goods increase leaving the poor worse off than before adjustment. Examples are most foodstuffs such as maize flour, milk, etc.

3. **goods produced by state owned enterprises.** When such enterprises are privatized, prices are often adjusted upwards to enable the enterprises to make profits.

4. **services provided by the government.** The introduction of user charges for services such as education and health care leaves the poor worse off in real terms.

4. **Divestiture of the Government from the private sector.** The Government has embarked on a momentous programme of divesting itself from economic activities which are best undertaken by the private sector. For example, it disposed of its shares in the Kenya Airways, Uchumi Supermarkets, HFCK, Kenya Commercial Bank and others to the general public.

5. **Retrenchment in the civil service.** The Government has been laying off civil servants and other workers in state corporations. The main objective of doing this has been to reduce the wage bill and hence recurrent expenditure in order to release such resources for development expenditure. Although those laid off have been compensated with 'golden handshakes', many of them have already squandered pent this money, thus and ending up poor and desperate.

6. **Reduction in the budget deficit.** The Government had been borrowing heavily from money markets in order to finance the shortfall between revenue and expenditure. This deficit had exploded over time to unacceptable levels as proportions of national income. Such borrowing crowded out the private sector from the money markets. As a result private investors had limited access to loanable funds. Since the private sector is more efficient than the public sector in the use of scarce resources such as loanable funds, this denied the society the opportunity to make the best use of its resources. The Government has tried to reduce budget deficits through sharp reductions in public expenditure coupled with concerted efforts to increase revenue through better taxation policies and enhanced efficiency in the collection of revenues. Although all sectors have been affected by the reduction in public expenditure, the axe has fallen more heavily on the social services such as education and health care. This is mainly because these two sectors have historically accounted for the lion's share of the country's budgetary resources.

Education and Health Care Services

II.1.3: Adjustment adversely affects the availability of such social services as education and health care.

1. **health services.** The health services provided by the Government are very important to the poor. The introduction of user charges and the decontrol of the prices of drugs and pharmaceuticals have rendered health services out of reach of the very poor.

2. **education.** The poor normally cannot afford to pay for individual tuition. They depend on the state to provide education services. Under SAPs the Government has slashed subsidies to education drastically, so much that most of the urban poor cannot afford to take their children to school. This is confirmed by the high rates of dropouts both at the primary, secondary and tertiary levels.

II.2: Adjustment and Household Welfare

II.2.3: According to the IMF, there are two main channels through which adjustment measures can affect households:

1. through their effects on sources of income such as changes in employment status, real wages, product and input prices, taxation, etc. These can be referred to as the *income effects* of adjustment measures.

2. through their effects on uses of income. These include changes in the prices of goods purchased, often referred to as the *expenditure effects* of adjustment measures.

II.2.4: The impact of adjustment at the household level has several elements:

1. effects on the incomes received by the household,

2. effects on the prices the household pays for goods and services,

3. effects on the availability of goods and services, and

4. effects on the non-financial aspects of household welfare.

II.3: Adjustment and Poverty

II.3.1: Adjustment measures have several indirect income effects on the poor:

1. Devaluation of the local currency leads to a fall in the real prices of non-tradable goods. Producers of non-tradable goods include small holders who produce subsistence food, and workers in the informal sector and others whose output is not traded outside the country. Therefore when Kenya devalued its currency the urban poor (especially those engaged in the informal sector) experienced a fall in their real incomes due to the decline in the prices of the commodities they produce (i.e., they became poorer).

2. Since adjustment measures generally reduce the level of demand in the economy, this leads to a decline in the demand for labour. As a result the level of employment and real wages decline. Therefore when the Government implemented structural adjustment programmes by reducing the wage bill through retrenchment in the civil service, reduction in government spending to reduce the budget deficit, the removal of subsidies, and the decontrol of prices, aggregate demand in the economy contracted thereby reducing the demand for goods and services even from the informal sector. Urban unemployment increased and incomes of the urban poor plummeted precipitously. This has aggravated urban poverty.

3. As unemployment increases in the formal sector the affected households are forced to find incomes from other sources. They often turn to the informal sector. At the same time, some households which remain in the formal sector find their real incomes falling due to the fall in real wage rates and often seek to supplement their incomes in the informal sector. The net effect is to increase the supply of labour to the informal sector which depresses real wages further in this sector and increases the rate of unemployment. As Kenya proceeded with structural adjustment programmes there was a groundswell of informal sector operators who were at the same time becoming more miserable and desperate as they coalesced into an economic sub-class of the urban poor.

III.3.2: Adjustment also has expenditure and income effects which affect the well-being of the urban poor. There are four main groups of commodities whose prices increase in relative terms as a result of adjustment:

1. **tradable goods.** Examples are imports, import substitutes and goods which could have been exported. Devaluation increases the prices of these goods in terms of the local currency. For example, goods consumed by the poor such as second hand clothes, low-priced consumer goods, etc., increased in price when the shilling was devalued. This means that the poor can afford fewer of such goods than was the case before devaluation: thus they are poorer in real terms.

2. **goods which were previously subject to price control or subsidies.** The prices of such goods increase leaving the poor worse off than before adjustment. Examples are most foodstuffs such as maize flour, milk, etc.

3. **goods produced by state-owned enterprises.** When such enterprises are privatized prices are often adjusted upwards to enable the enterprises to make profits.

4. **services provided by the government.** The introduction of user charges for services such as education and health care leaves the poor worse off in real terms.

II.3.3: In most cases the indirect effects of adjustment on the incomes of poor households are more profound. Adjustment reduces the real prices of non-tradable goods and the incomes of their producers. Labour is displaced from the formal to the informal sector, thereby increasing its supply and reducing incomes in the informal sector further. The remittances from urban workers to rural communities decline, and there are usually important regional effects especially in remote rural areas where soils are not fertile and rainfall is inadequate.

II.3.4: The direct impact of reduction in real incomes as a result of adjustments is to reduce consumption. The impact on welfare is greatest on those with the lowest initial levels of income who have the least scope for reducing non-essential consumption. Examples are those households which fall below the poverty line.

II.3.5: The impact of adjustment on the availability of resources is greatest in the case of services provided by the government. Examples of these services are education and health care. Those who lose access to services as a result of adjustment are generally those who initially had access to them before the adjustment process was effected. These are often the least well-off members of the society and the poorest.

II.3.6: There are two general concepts of poverty:

1. *Absolute poverty*. This poverty measure specifies the levels of absolute deprivation on the basis widely accepted which identify the minimum basic needs.

2. *Food poverty*. This poverty measure is based on the food poverty line, which indicates the minimum nutrient requirements (calories) needed for healthy growth and maintenance of the human body.

II.3.7: Generally the absolute poor are those who cannot earn enough income to sustain an adequate standard of living. Absolute poverty arises because of one of the following three reasons:

1. because the households lack the assets such as skills, land, capital, or labour power needed to generate adequate levels of income.

2. the households are prevented from using their assets by unemployment or lack of demand for what they produce.

3. a household's economic conditions are such that the rate of return on its productive assets does not generate enough income.

II.3.8: The poor can be divided into two groups: the rural poor and the urban poor.

1. *The rural poor*. There are two categories of the poor in rural Kenya: (a) the landless, who include those with no land and have to rely on wage employment, and (b) smallholders, who include those who own and work their land holdings which are often too small to provide adequate outputs given the available technologies.

2. *The urban poor*. These fall into three main groups: (a) the unemployed urban dwellers, (b) unskilled workers who, though employed, earn extremely low wages, and (c) those in the informal sector either as enterprenuers or workers.

II.3.9: This paper focuses on the urban poor in Kenya. It posits that structural adjustment programmes (SAPs) in Kenya have led to increasing household poverty both in relative and absolute terms. In urban Kenya the number of the absolute poor has increased at an alarming rate while their plight has worsened. At the same time the urban elites have been the main beneficiaries of the SAPs and have experienced a rapid rise in their real incomes, real assets and general economic well-being. This process has tended to create two distinct classes in urban Kenya: the absolute poor or the have-nots as a distinct economic class at the bottom and the rich or haves as an economic class at the top. The paper also posits that by increasing the gap between the haves and the have-nots and and also by making the latter desperately poor SAPs have created the conditions for potential conflict between these two emerging classes. From time to time this has exploded into violence especially in Nairobi. Such incidents include the Muoroto crisis of 1990 and others especially in the slums of Nairobi.

II.3.10: Table 1 shows the magnitude of absolute and food poverty in the rural areas of Kenya in 1994, while Table 2 shows the situation in the urban areas. The tables show widespread poverty in Kenya, with overall food poverty affecting about 33 per cent of those living in the rural areas and 29 per cent of the urban population. Similarly, absolute poverty is pervasive in the country, affecting about 32 per cent of rural dwellers and 29 per cent of those living in urban Kenya.

Table 1: The Extent of Absolute and Food Poverty in Rural Kenya, 1994.

PROVINCE	ABSOLUTE POVERTY (%)	FOOD POVERTY (%)
Central	32	33
Coast	45	51
Eastern	50	60
North Eastern	49	57
Nyanza	42	41
Rift Valley	43	46
Western	54	52
TOTAL	47	47

Table 2: Absolute and Food Poverty in Urban Kenya, 1994.

URBAN CENTRE	ABSOLUTE POVERTY (%)	FOOD POVERTY (%)
Nairobi	26	27
Mombasa	33	33
Kisumu	48	44
Nakuru	30	37
Other Urban	29	27
OVERALL URBAN	29	29

II.3.11: Table 3 shows how Kenyans perceive their poverty situation at present compared to five years ago. About 77 per cent consider that their poverty situation has worsened, 15 per cent that the sitution has not changed, and only 8 per cent perceive that their poverty situation has improved! This general perception of worsening poverty situation further confirms the claim that structural adjustment has aggravated poverty in Kenya, particularly in the urban areas.

Table 3: Perception of Kenyan Households on Changes in the Poverty Situation in Kenya, 1994.

DISTRICT	POVERTY SITUATION IMPROVED (%)	POVERTY SITUATION UNCHANGED (%)	POVERTY SITUATION WORSENED (%)
Mombasa	5.7	13.3	81.0
Taita Taveta	9.3	21.4	69.2
Makueni	2.0	11.0	87.0
Nyeri	20.5	28.8	50.7
Kajiado	5.0	8.0	87.0
Nakuru	8.0	12.9	79.1
Kisumu	5.6	12.1	82.2
TOTAL	8.0	15.3	76.7

II.3.12: According to the Nairobi Household Budget Survey of 1974 only about 15 per cent of urban households where below the poverty line. However by 1994 this had risen to about 30 per cent. As the numbers of the poor have exploded and their situation become more desperate, tensions and frustrations have intensified in the urban areas and in most cases it has required a little spark or provocation for the urban poor to riot or take to the streets in an orgy of looting and violence. It appears that in most cases they vent their frustrations on the haves who they perceive as having enriched themselves at their expense. Although much of the fury has been directed towards the Asian community, property belonging to other communities has not been spared.

III. SOCIAL EFFECTS OF ADJUSTMENT

III.1: Introduction

III.1.1: Adjustment has 'social effects', which are those extending beyond individual households to the whole society. For example, in the short run macro-economic adjustment reduces the overall level of income in the economy, which translates to lower incomes for most households. The main losers during adjustment are producers of non-tradables such as public sector employees and other workers in the urban formal sector, as well as producers of non-tradables such as pastoralists, subsistence farmers, informal sector operators and workers, and so on. Those who gain are mainly producers of tradables such as exports, and others who are able to take advantage of the opportunities adjustment fosters.

III.1.2: SAPs have considerable social effects. These effects take various forms such as political and administrative as well as the impact on social structures and crime.

Political and Administrative Effects of SAPs

III.1.3: Structural adjustment programmes have both direct and indirect effects on the political structures of an adjusting country. This is because they change the political attitudes and behaviour of those who gain or lose as a result of the adjustment processes. The main losers from the adjustment processes in Kenya have been the urban poor such as informal sector operators who produce non-tradables. This constituency has tended to react by blaming the Government, and by inference the ruling party KANU, for their economic plight. They have responded to all this by moving more staunchly and fanatically to the opposition parties especially the more militant ones, such as the Islamic Party of Kenya (IPK), and the National Democratic Party (NDP).

III.1.4: Adjustment programmes often have adverse administrative effects. This is because a cost-recovery programme in a country like Kenya where public sector incomes and wages are very low tends to encourage mis-appropriation of funds, bribery and general corruption. To the extent that adjustment encourages and worsens corruption, it is likely to impact itself negatively on the very poor who are least able to provide the necessary bribes to access the services they require. Bribes and general corruption can slow down administrative processes and bias administrative decisions against those least able to pay such as the urban poor. This is because the administrators have little or no incentive to process their claims since this can be done only at the expense of potentially more lucrative clients.

Crime

III.1.5: SAPs also increase the debt burden of a country in terms of local currency. Therefore in order to service such debts funds have to be diverted from pressing administrative needs such as the police force, judiciary, courts, and so on. This reduces the capacity of the society to fight and manage crime. As the state weakens at the centre criminals realize that the probability of getting away with crime has increased. One of the potential alternative sources of income which some of the households adversely affected by adjustment often seek to exploit in response to a loss of income caused by adjustment is crime. This applies particularly to theft, the manufacture and sale of illicit brew, the illegal production of and trading in drugs, and the looting of business premises and other property that often accompanies riots. There is substantial anecdotal evidence that such forms of crime increase significantly in all countries undergoing structural adjustment especially in urban areas. For example, as the poor have become poorer as a result of structural adjustment in Kenya, there has been a serious upsurge in criminal activities, especially in the slums where most of the poor and destitute live. The urban poor have not hesitated to rob the haves and loot their property whenever t opportunity arises as happens when there are riots in the major urban centres.

III.1.6: The decision as to whether to engage in criminal activities is based on the individual's perception of the costs and benefits of committing the crime compared to not doing so. The economic benefit to an individual of committing a crime is the value to the criminal of the goods acquired or the financial gains it generates. On the other hand the cost of committing a crime to the perpetrator is the possibility and fear of punishment and the individual's reluctance to commit an offence or immoral act due to his or her conscience or social conditioning. The fear of punishment is itself determined by the probability of being punished and the severity of the punishment which is expected. Therefore an individual will commit a crime if and only if the value to him or her of the material gain resulting from the crime is greater than the combination of the perceived probability of being punished multiplied by the perceived cost of the likely punishment plus the individual's own reluctance to commit the crime.

III.1.7: Structural adjustment has five potentially important effects on a criminal's calculation in this regard:

1. if the individual's income from legal activities is initially limited and is further reduced by the adjustment programmes, then adjustment is likely to raise the individual's valuation of the benefits of engaging in criminal activities.

2. if adjustment increases the financial pressure on an individual then he or she is likely to see a criminal act as more justified than previously (i.e., his conscience cost is reduced).

3. if the reduction in government expenditure associated with adjustment results in a decline in policing standards, the probability of punishment as perceived by the perpetrator of the crime will decline thereby creating an incentive for a criminal act such as looting and robbery to take place.

4. if adjustment leads to civil unrest, police resources are likely to be drawn more thinly, thereby reducing the probability of punishment further. This encourages crime.

5. sharply declining real incomes create enormous emotional and psychological strain to an individual and often leads to the weakening of family and community structures, linkages and support systems. This often leads to an increase in the incidence of drug and alcohol abuse and to increased demand for drugs and illicit liquor. Increased demand for illicit liquor and drugs leads to an increase in their prices in the black market which acts as an incentive for their production and supply. The result is both an increase in financial and non-financial crime. The proliferation of illicit drug use leads to the erosion of social values so that many people have no qualms when engaging in criminal activities.

III.1.8: In summary, structural adjustment programmes can have serious adverse social effects. They lead to increased poverty, insecurity, crime and violence. As the poor become more desperate and destitute, they easily resort to such criminal activities as looting when riots break out. This is because the poor increasingly ascribe their plight to 'exploitation' by the rich, especially Asians. These adverse social effects are more profound among the urban poor and the underclass.

IV. STRUCTURAL ADJUSTMENT PROGRAMES, CLASS FORMATION AND CONFLICT IN KENYA

IV.1: Introduction

IV.1.1: Although there have been a number of papers written on the impact of structural adjustment programmes on the welfare of the poor and vulnerable groups in Kenya, there has been little systematic analysis of the manner in which such policies affect poor households on class formation and the development of class conflict. This paper attempts to address this issue through an analytical basis for considering the impacts of adjustment at the household level.

IV.1.2: The impact of adjustment at the household level has several elements:

1. effects on the incomes received by the household.
2. effects on the prices the household pays for goods and services.
3. effects on the availability of goods and services.
4. effects on the non-financial aspects of household welfare.

V. MUOROTO INCIDENT: a Case of Adjustment Fanning Class-Based Conflicts

V.1: Structural Adjustment and the Urban Poor.

V.1.1: As already noted, the urban poor include the unemployed, unskilled workers and those in the informal sector. In the recent past these groups have engaged in riots in which property has been destroyed, people maimed and even killed. Examples are the Muoroto crisis of 1990 and the Saba Saba and other riots of 1997. In all these cases the urban poor have been tempted to vent their frustration on the rich and their property.

V.1.2: The Muoroto incident has its roots in the frustrations meted out by the Government on the informal sector in urban Kenya. As Kenya experienced increasing economic problems in the 1970s and 1980s unemployment increased particularly among the youth. As part of their survival strategies, the youth in urban areas involved themselves in petty and marginal activities such as selling fruits and vegetables in the streets, hawking of utensils and second hand clothes, the repair and fabrication of cooking utensils and other household goods, welding and vehicle repairs, etc. In most cases these activities were unlicensed and were carried out in unauthorised premises, quite often under no shade. They subsequently came to be referred to as informal sector activities or 'Jua Kali' enterprises. From time to time the Government has indicated its desire to legitimize these activities. However, attempts to accomplish this have been frustrated by rich business men and women in formal manufacturing, trade and commerce who perceive informal sector operators as unfair competitors since they do not pay rent or taxes. This has pitted the have-nots against the haves in urban Kenya and set the stage for violent conflicts.

V.2: The Roots of the Muoroto Conflict

V.2.1: Muoroto developed as a sprawling slum-cum-informal sector activity area. It is located next to the main Country Bus Station (often referred to as 'Machakos Airport') in Nairobi near the commercial hub of the city. This area is adjacent to the busy River Road, Racecourse Road, Kirinyaga Street and Landhies Road on one side, the populous Muthurwa which houses low income railway workers, the slums of Majengo, the low-income housing estate of Maringo, and the vast open-air markets of Gikomba, Shauri Moyo and Burma. By the early 1990 many of the informal sector operators in Muoroto were living within their business premises which in most cases consisted of crude structures made of cartons, plastic sheeting, and timber cannibalized from building sites, etc. Muoroto had therefore become a huge slum where the urban poor struggled to eke out a meagre existence.

V.2.2: Although in 1990 the population of Muoroto consisted of desperately poor people they constituted a powerful constituency which was articulate and politically astute, so much that it became one of the hotbeds of political activism, the source of political thugs and the main opposition to the ruling elite, especially in KANU. 1990 was the beginning of the intensified clamour by Kenyans for multi-party democracy. The KANU government resisted this with all its might and intended to keep Kenya a one party state forever (President Moi said Kenya would remain a one party state under KANU for the next 100 years!). It therefore considered places like Muoroto as having forces aligned with the opposition and wanted to crush them.

The Conflict.

V.2.3: On May 25th 1990 the busy Nairobi Country Bus Station and all roads leading to it were turned to an area of total confusion as baton-wielding Nairobi City Commission askaris engaged in a fierce confrontation with hundreds of stone-throwing hawkers and residents of nearby slums who were resisting eviction. The confrontation in the Muoroto slums spread to several parts of the city including Gikomba, Kariokor, Kamkunji, Landhies, Railway Quarters and parts of River Road and Tom Mboya Street. The Government had to mobilize a contingent of anti-riot police to disperse the rioting hawkers and quell the disturbances. Several civilians were seriously injured and some city council askaris received minor injuries.

V.2.4: The trouble started around 8.00 a.m. when a squad of City Commission askaris in ten lorries arrived at the slum with orders from the Director of City Inspectorate to stand guard while an earth-moving tractor bulldozed the shelters, kiosks and sheds belonging to the hawkers. When the hawkers saw the askaris they sounded the alarm, armed themselves with stones and sticks and engaged the askaris in pitched battles in defense of their properties. As the fighting intensified the askaris withdrew and hid at the bus station in the packed buses and matatus.

VI. CONFLICT ACTION AND COST.

VI.1: Introduction

VI.1.1: Class and economic conflict inevitably results in substantial economic and social costs. Conveniently, these costs could be classified into three categories:

1. Human costs

2. Material costs

3. Administrative costs

VI.1.2: The financial costs of the Muoroto conflict are not known. However it was reported that property worth millions of shillings was destroyed as the poor and criminal elements broke into shops and stores which they looted. Goods stolen were reportedly worth millions of shillings. However, although no precise figures on the actual financial costs of the conflict are available the cost in terms of human life and suffering was enormous. For example it was reported that at least ten people died including several children, although the Government refuted these reports.