Authors
Esther Duflo
Massachusetts Institute of Technology

Jonathan Robinson
University of California, Santa Cruz

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Coping with Political Instability: Micro Evidence from Kenya's 2007 Election Crisis

By Pascaline Dupas and Jonathan Robinson*

Politically unstable countries tend to grow more slowly than more stable ones (Robert Barro 1991). Two main causal pathways have been discussed. First, the uncertainty associated with political instability may discourage physical capital accumulation and investment. Second, political instability often results in violent civil conflict, which may disrupt productive activity. This paper presents descriptive evidence on the importance of this second pathway, using a unique dataset collected immediately after the 2007 election crisis in Kenya.

The 2007 presidential election in Kenya pitted the incumbent Mwai Kibaki against Raila Odinga. The candidates drew support from different ethnic groups and, as the election season progressed, the electorate divided along ethnic lines. Though the campaign remained relatively calm and the balloting went smoothly, there were major irregularities during the tallying of votes. After a two-day delay, the results were finally announced on December 29, 2007, with Kibaki declared the winner by a very narrow margin. Even though the results were widely disputed by the opposition and the international community, Kibaki was quickly sworn in and assumed office. Almost immediately thereafter, Kenya plunged into social unrest which lasted throughout January and February 2008 and which was marked by widespread looting, arson, property destruction and ethnic violence. By the time a peace agreement was finally signed, on February 28, 2008, some 1,200 people had been killed and 500,000 more had been displaced (Clark Gibson and James Long 2009).

Kenya is widely considered to be one of the most stable states in East Africa and in Africa in general, so the conflict was largely unexpected both within Kenya and by the international community. We examine the microeconomic impacts of this unexpected political crisis on the lives of rural households in Western Kenya. We interviewed a total of 606 daily income earners in the immediate aftermath of the crisis and asked them to recall their income, expenditures, and consumption between November 2007 and March 2008. We collected this data in a relatively ethnically homogenous area of Western Kenya which saw relatively little ethnic violence, but where riots and roadblocks seriously disrupted markets and other economic activities.

We study the impact of the crisis on three distinct samples: (i) small scale vendors and artisans who make approximately $2.50 per day; (ii) somewhat richer shopkeepers who earn about $10 per day and who might be considered "middle class" in rural Kenya; and (iii) women who are involved in transactional sex. We observe sizeable decreases in income, expenditure, and food consumption for all three samples over the two months of civil conflict that immediately followed the election.

The impact of social unrest on social outcomes is generally difficult to identify convincingly because of the dual causality between conflict and economic conditions (Edward Miguel et al. 2004; Christopher Blattman and Miguel forthcoming). But, since the data we use in this paper were collected in the immediate aftermath of an unexpected crisis, we are able

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This paper studies the economic and health impacts of the 2007 Kenyan Presidential Election crisis. Over the two months of civil conflict that immediately followed the election, we observe sizeable downfalls in income, expenditure, and consumption for a broad segment of the rural population. This suggests households were unable to smooth over the shock. We also find that the crisis increased the likelihood that women who supply transactional sex chose to engage in unprotected sex, increasing the risk of HIV/AIDS transmission. These results suggest that social unrest is an important channel through which political instability

can affect long-term outcomes and development.

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