

Capital Accumulation and Persistent Inequality in Kenya

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Abstract: Despite the constant economic change, urbanization and financial deepening in Kenya, the gains from growth have been unevenly distributed among households, regions and social groups. The paper explores the issue of persistent inequalities in Kenya using Thomas Piketty's theory on accumulation of capital with the assumption that inequality worsens when growth rate of capital (r) is more than the economic growth rate (g). The paper takes a conceptual and contextual analytical approach, suggesting that Kenya has structural conditions that are conducive to a Pikettyan divergence dynamic: ownership of appreciating land in urban areas, real estate, financial assets, and productive enterprises is disproportionately held by capitalists, while a significant share of the population relies mainly on labor income, informal work, and low-productivity economic activity. As a result, economic growth does not have to produce unequally distributed gains in wealth accumulation and intergenerational mobility.

Keywords: Inequality, Capital Accumulation, Wealth Concentration, Economic Growth, Kenya, Piketty, Social Mobility.

1. Introduction

Differential outcomes are back as a central issue in modern political economy. Growth is conventionally seen as the catalyst for better welfare and increased opportunities, but not per se one that spreads income and wealth evenly. Piketty (2014) debunks the belief that market economies tend to over time move toward equality, suggesting instead that inequality in returns to capital and economic growth could create long-term accumulation of wealth.

This is especially important for Kenya, as poverty is being reduced while at the same time the economy is expanding and becoming structurally transformed, but with substantial intra-sectoral and intra-sectoral inequalities. In fact, the value of focusing on distribution, in addition to aggregate growth, is shown by the World Bank data on the topic of inequality and recent studies in Kenya have begun to challenge the belief that economic growth can achieve equity (Mbara et al., 2024; World Bank, 2026).

The main thesis is written as $r > g$, where r is the average rate of return on capital and g is the growth rate of the economy. As long as returns on property, rents, dividends, interest, and profits from business ownership continue to grow more rapidly than national income, people who already have a considerable

amount of capital can make even more money than people who are mainly working for wages. Inherited wealth and wealth built up over the lifetime of the individual may thus increasingly prevail over wealth won by lifetime labor, threatening to defy meritocratic principles and social mobility.

This paper thus poses the question: How well can the persistent inequality in Kenya be explained by Piketty's theory of the accumulation of capital? The inequality in Kenya is not simply a short-term phenomenon resulting from skewed distribution of income, but a result of structural variations in asset ownership and ability to generate capital intergenerationally, it says. It is conceptual analytical approach utilizing Piketty's framework in the Kenyan political economy.

2. Theoretical and Conceptual Framework

Inequality in Kenya is both an economic and historical and institutional problem. Land ownership is significant especially given that inequalities today are inseparable from colonial dispossession and unequal post-colonial redistributions and access to productive land. In Kenya, the study of land ownership and educational inequality has shown how unequal land structures can interact with overall socio-economic outcomes, whilst recent research relating to large-scale land acquisitions highlights ongoing connections between land control and social inequality (Odhiambo & Nyangito, 2021; Sifuna, 2026).

The optimism of some theories that inequality will naturally subside as economies grow older is called into question by Piketty's analysis. His critique is especially against the deterministic views of the Kuznets hypothesis, which suggests that there is a U-shaped relationship between inequality and development, with rising inequality in the early phases of industrialization and declining inequality in the later phases as development trickles down to everyone. Piketty shows that the institutions, taxation, political decisions, education and significant economic shocks have a profound impact on historical trends of inequality. The account does not contain any automatic mechanism ensuring a fair wealth distribution.

The central idea that is taken up in the present paper is that of the divergence relationship.

$$r > g$$

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where:

r = rate of return on capital; and

g = growth rate of the economy.

Imagine a moderately growing economy, and owners of land, rental property, equities or profitable businesses can gain with a higher return on their asset base in that economy.

Another factor of convergence that Piketty mentions is the spread of knowledge and skills. This equalizing force is not automatic and not enough, however. When access to quality education and valuable skills is unequal, human-capital development can perpetuate, not eradicate, advantage. This insight is particularly relevant in Kenya where the equal opportunity to education is formal but there are great disparities in the quality of schools, resources at home, access to digital tools and pathways to safe jobs.

3. The Context of Inequality in Kenya – Capital Accumulation

The Kenyan labor market also poses a challenge as it is divided into many segments. Many of those employed are engaged in informal employment, and many of these workers are likely to have low levels of social protection, irregular income and reduced prospects for long-term saving accumulation. The Economic Survey 2026 offers a helpful backdrop for the current institutional context in which the subject of employment, earnings and the broader economy in Kenya are discussed (Kenya National Bureau of Statistics [KNBS], 2026).

The Kenyan context is particularly interesting as it is greatly linked to historically entrenched forms of asset ownership and thereby has many similarities with Piketty's analysis. Perhaps the most obvious is land. The unequal access to land, the dispossession by the colonial powers, policies of land redistribution after independence and the progression of commercialization of urban and peri-urban land have all influenced Kenya's political and economic history.

This is similar to the general rule of asset-based inequality, as outlined by Piketty. This is particularly noticeable in Kenya in urban centers, especially Nairobi and fast-growing urban corridors, where people can either own a property and earn rental income, or they can become renters and have to pay ever-rising house prices

A second dimension has to do with the segregation between the owners and the dependents of capital. Kenya's informal sector is large and many workers in it earn irregular income and have little pension coverage and limited ability to save in appreciating assets. However, lower income families often invest substantial shares of their labor income into food, housing, transportation, health care and education.

Thirdly, there is an unequal distribution of credit which feeds into this process. People with property who have a regular, formal income are more likely to be able to offer any collateral, secure financing, and be able to invest in higher-yielding ventures. Without assets, they will be forced to use costly short-term credit or borrowing from friends and relatives.

Fourth, Kenya's educational system exemplifies the

shortcomings of assuming that human capital is an automatic 'equalizer'. Piketty notes that diffusion of knowledge and skills is one of the significant mechanisms of convergence, while emphasizing the need for educational policy and institutions.

4. Policy Implications to Kenya

A first priority of fiscal policy is to increase its effective degree of progressivity. This encompasses the strengthening of the administration of property-related taxation, capital gains taxation, and the taxation of high-value economic rents, without undue burden on low-income labor and small businesses.

Second, public investment in quality education, healthcare and social protection should not only be considered as social spending, but as a process of economic convergence too.

Third, policy should enable households and enterprises that do not have inherited assets to acquire them in an affordable manner, in the form of long-term savings instruments, housing and through inclusion in pension programs, and productive credit facilities.

Fourth, Kenya needs enhanced wealth ownership data systems. Systematic historical evidence and transparent data is crucial to understanding inequality, according to Piketty. It is important to highlight that if the information of the concentration of land, financial assets, inheritance and high-income wealth are not reliable, then the debate of the public can be directed towards the visible consumption and not the deeper structure of capital ownership.

5. Conclusion

Recent pieces of evidence also indicate that the inequality debate is not that of income inequality alone in Kenya, but has been taken up with extreme wealth concentration in the country. According to Oxfam's 2025 report on Kenya, inequality stems from structural, historical and political processes and there is significant asset wealth in Kenya among the wealthier groups. Although such estimates based on advocacy ought to be used in conjunction with official and peer reviewed data, they also stress the analytical significance of examining productive and financial assets held by the household rather than just looking at annual household income (Kamande, 2025).

It has been an attempt to take Thomas Piketty's theory on capital accumulation and apply it in Kenya with a view to persistent inequality in Kenya. It suggests that a conceptually useful way to understand this is to consider the relationship between the rate of economic growth (r) and the rate of social mobility (g). The current land system, the surge in the price of urban property, unequal access to productive assets, a labor market with low employment in formal sector and differential access to credit and education creates situations where existing wealth can reproduce quicker than labor dependent households can generate new wealth.

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