

ARTICLES

PROFITS FOR JUSTICE

by MICHAEL H. SHUMAN & MERRIAN FULLER



Now that the religious right dominates all three branches of the federal government, one of the few avenues still open for creative progressive initiative is business. To get an inkling of what's possible, drop by the Used Book Cafe in the SoHo district of New York City. There you'll find an independent bookstore that lacks the selection of a Borders but enjoys regular visits from leading agents and publishers in the city and boasts a fabulous events calendar that reads like a Who's Who of contemporary writers and musicians. What's truly revolutionary about the cafe, however, is that last year the business, along with sister thrift shops, provided more than \$2 million to its parent nonprofit, Housing Works, one of the nation's largest advocacy groups for homeless people with HIV/AIDS. Housing Works runs clinics, conducts public-policy research, lobbies federal and state officials, even leads sit-ins. It is fearless, aggressive and stunningly effective—and its \$30 million of annual work would be impossible were it not for a vast range of realty, food service, retail and rental companies that help pay the bills.

"What we are about," says Housing Works president and CEO Charles King, "is the business of changing the entire paradigm by which not-for-profits operate and generate the capital they need to carry out their mission—a new paradigm based on sustainability and social entrepreneurship." King is helping other nonprofits adopt these ideas through the Social Enterprise Alliance, which recently held its fifth annual conference, involv-

ing 600 social entrepreneurs from thirty-nine states and seven countries.

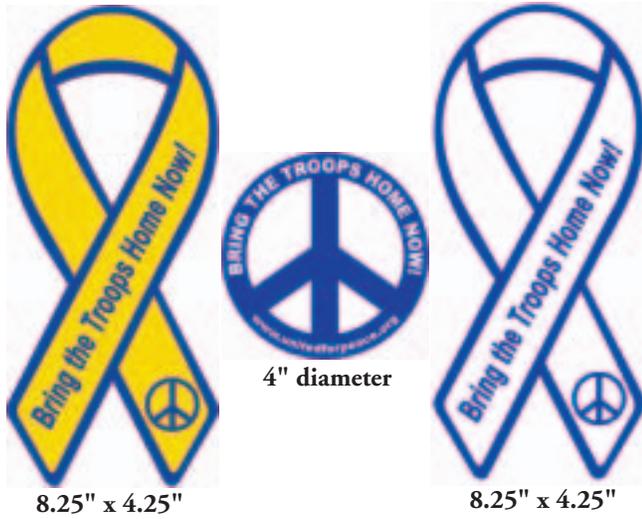
This new paradigm increasingly defines our own jobs. One of us, after raising some \$15 million for various progressive nonprofits, decided six years ago to start creating socially responsible enterprises, including community-friendly poultry production, small-business venture capital and buy-local purchasing clubs [see box on page 18]. The other has run a network of progressive independent businesses in Philadelphia, an effort based at the White Dog Cafe, one of the city's top restaurants, which serves food from local farmers.

We believe that the spread of social entrepreneurship, and the positive alternative to conventional fundraising it provides for raising resources, offers a fundamentally new and powerful strategy for progressives to expand their power and their voice in the United States.

Entrepreneurial Nonprofits

Mainstream nonprofits actually have been entrepreneurial for years. Every year the *Chronicle of Philanthropy* publishes a list of the top 400 nonprofits in the United States, ranked by their fundraising. Re-rank the October 2003 list on the basis of revenues not derived from private sources such as donations and foundation grants, and the top performers, unsurpris-

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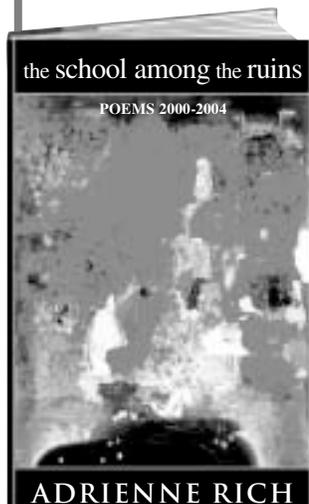
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ingly, are universities and medical centers. Remove these heavy-weights, and one finds a fascinating assortment of do-gooders. Lutheran Services, number one, serves as an umbrella for 300 organizations that supplement their many contracts, grants and donations with a wide range of fee-for-service programs to help, among others, the poor, the elderly, the sick, at-risk youth and refugees. Number two is the YMCA, which supports its youth outreach programs with a vast network of health clubs. The American Red Cross, number three, draws blood and sells it to hospitals and health centers. Fourth is Good Will Industries, which raises more than a billion dollars through the collection, refurbishment and sale of secondhand clothing and household items, and nearly another half a billion from fees for contracts and services. In eighth place is the Girl Scouts, which generates millions of dollars through the sale of cookies.

For the most part, these charities are engaged in work lacking the kind of coherent vision of systemic change that progressives embrace. But there is no good reason why a progressive organization with business sense and imagination could not create its own universities, healthcare systems, secondhand stores and cookie operations that provided substantial revenue for more serious political work.

Some, in fact, do. Antioch College and the New School University, among other schools, have designed social-change-oriented curriculums that have graduated several generations of activists. Planned Parenthood's 850 clinics, in some communities the only places where contraception and safe abortion are available, generated more than \$306 million last year, a financial base that has helped insulate it against various retaliatory strategies by anti-choice groups. For several decades, Green's Restaurant in Fort Mason Center in San Francisco has sold not cookies but high-end vegetarian meals to help finance the Zen Center, which has numerous programs for peace, the homeless and prisoners.

Below the radar of the top-400 list are many other huge progressive success stories. The Rodale Institute has long underwritten cutting-edge work in sustainable agriculture, community economics and alternative healthcare through a publishing empire that includes *Prevention* magazine, a fixture on supermarket checkout lines. The Worldwatch Institute has supported its environmental work through the widely sold *State of the World* series. Greenpeace has creatively used everything from special music albums to concerts to raise many millions for its work.

Or consider Global Exchange, whose founders, Medea Benjamin, Kevin Danaher and Kirsten Moller, have been outspoken critics of free trade and the war in Iraq, and leaders of the California Green Party. More than half the organization's budget is financed through reality tours to countries such as Cuba; Green Festivals, which draw thousands of participants; fair-trade stores; and speaking fees. The organization is now creating a Global Citizen Center by renovating a building in San Francisco that will house a coalition of progressive groups and a community meeting space. It plans to bring down the costs through rentals, sales and fees generated by green businesses on the ground floor.

Michael Shuman is vice president for enterprise development at the Maine-based Training & Development Corporation. Merrian Fuller has just stepped down as director of the Philadelphia-based Sustainable Business Network.

To get a full sense of how far US nonprofits could go to become self-financing, check out Cabbages & Condoms, a popular restaurant in Bangkok. As your senses become intoxicated by the aromas of garlic, ginger, basil, galangal and lemongrass, you cannot avoid noticing the origins of the name. On top of each heavy wooden table is a slab of glass, under which are neatly arranged rows of colorful prophylactics. Posters and paintings adorn the half-dozen large rooms, all communicating the restaurant's central message: The AIDS epidemic afflicting Thailand can be checked only through the unabashed promotion and use of male contraception. With balloon animals made from carefully inflated and twisted condoms and the after-dinner candies replaced with your own take-home "condom-mints," even teens cannot escape the message prominently framed on the wall: "Sex is fun but don't be stupid—use protection."

What makes the five "C&C" restaurants unique, along with an affiliated beach-front resort and numerous gift shops, is that they are all owned by the Population and Community Development Association, a rural development organization that has been a leader in promoting family planning and fighting AIDS in Thailand. Seven out of every ten dollars spent by PDA on such activities as free vasectomies and mobile health clinics are covered by the net revenues from its sixteen subsidiary for-profits. Were PDA dependent on funding from the Thai government, the World Bank or even the Rockefeller Foundation, it no doubt would be told to tone down the message. Jokes on its website—like "the Cabbages and Condoms Restaurants in Thailand don't only present excellent Thai food, the food is guaranteed not to get you pregnant"—would certainly be discouraged.

The cash flow gives PDA a measure of confidence and boldness. The founder, Mechai Viravaidya, has no qualms about his decision to employ for-profits: "Unlimited demand is chasing limited supply [of charitable donations]. No longer are gifts, grants or begging enough. From day one, thirty years ago, we have been acutely aware of sustainability and cost-recovery."

Progressive Resistance

To many progressives, the notion that nonprofits can enlist the power of entrepreneurship to gain independence and increase their effectiveness is heresy. Philanthropy guru Pablo Eisenberg's view is that "neither charities nor foundations and other donors should harbor the illusion that more than a minuscule number of nonprofit groups can ever become self-sufficient by running businesses or charging fees for their services. Their missions do not lend themselves to self-sufficiency."

The fear that a nonprofit mission will be warped by business values is not, of course, unfounded. J. Gregory Dees of the Duke University Fuqua School of Business argues, for example, that the entry of the YMCA into the exercise and health club business pulled it away from its original mission to serve at-risk young men and made it an upper-middle-class organization. Many community development corporations (CDCs), founded in the 1960s to lead the fight against poverty, now build crass shopping malls and sprawling neighborhoods for the middle class. The bottom-line logic of business can lead these enterprises to neglect people without money, including the young, the old, the poor and the sick.

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However, critics overlook the fact that many of these dangers already swirl around those rattling a tin cup for “soft money” from wealthy individuals and foundations. Building a philanthropic base of support instead of an entrepreneurial one can cripple an organization’s mission, and wreck it altogether when the well runs dry. Most progressive nonprofits have engaged in a kind of fundraising arms race in which our best leaders focus more time, energy and resources not on changing the world but on improving their panhandling prowess to capture just a little more of a philanthropic pie that actually expands very little from year to year. Armies of “development” staff spend as much as a third of an organization’s resources not to advance the poor or other needy groups but to cultivate wealthy donors. Significant numbers of our colleagues create campaigns, direct-mail pitches, telemarketing scripts, newsletters and other products exclusively to “care and feed” prospects, and frame positions and adopt tactics that will not offend the rich.

Those of us who chase foundation dollars must make a devil’s bargain with a system (as one of us argued in these pages seven years ago; see Shuman, “Why Progressive Foundations Give Too Little to Too Many,” January 12/19, 1998) that often undermines the effectiveness of progressive beneficiaries through small, single-year, single-issue, project-oriented and action-overthinking grants. In this context, successful fundraising may well reduce the chances of effecting significant social change, because too many foundation overseers, despite admirable intentions, discourage the long-term, systemic thinking progressives so desperately need. And increasingly, major foundations are actively setting social-change agendas themselves, often with little consultation with grassroots groups, pulling these same groups into new and distracting coalitions and bringing more and more projects in-house.

As Pablo Eisenberg notes, the Philadelphia-based Pew Charitable Trusts “has built a reputation for pouring millions of dollars into its own environmental projects and creating new organizations.” Moreover, its recent decision to convert from a foundation into a charity means that “Pew will find it easier to bring many of its programs in-house and become less dependent on nonprofit organizations to run its programs and carry out its mission.”

If Mohandas Gandhi were a typical leader organizing in a nonprofit environment like ours, he would probably be wearing a three-piece suit and working in a plush office with his law degree prominently displayed. He would have little time to lead protests, since every other week would be spent meeting with donors—and those power lunches would hardly go well with fasting. He would be careful to avoid initiatives like salt marches or cotton boycotts, so as not to offend key donors. To sharpen his annual pitch to foundations, he would be constantly dreaming up new one-year projects on narrowly focused topics, perhaps a one-time conference on English human-rights abuses, or a PBS documentary on anti-colonial activities in New Delhi. To insure that various allies didn’t steal away core funders, he would keep his distance and be inclined to trash talk behind their backs. In short, there’s little doubt that the British would still be running India.

The real Gandhi, of course, promoted personal and community self-reliance, so that people would have the time, energy and resources to participate in a serious mass movement. It’s no accident that some of the most successful social-change organizations

in the United States have achieved a modicum of self-reliance through membership dues, fees for service and active community-based chapters. The strong membership bases of Greenpeace and the Sierra Club enabled them to take bold stands against free trade and NAFTA long before their foundation-dependent brethren like the Natural Resources Defense Council.

We believe it’s time for American progressives to break free of their philanthropic habit—and for truly progressive funders to help them do so. Those of us serious about social change increasingly must get down to business, figuratively and literally. Every nonprofit may not be able to generate all its funding through revenue-generation, but every nonprofit certainly can generate a greater percentage than it is doing now. According to an IRS sampling of charitable filings in the year 2000, fees for service already account for two-thirds of all nonprofit budgets, yet relatively little of this is being done by progressive nonprofits.

Beyond Typical Nonprofits

Even if nonprofits *can* generate more of their own revenue, it’s questionable whether the IRS-prescribed mold, the “Section 501(c)(3)” organization, offers the best structure for doing so. Despite many success stories of enterprising nonprofits, we share the skeptics’ nervousness about confusing nonprofit and for-profit missions. Plus, we are concerned that nonprofits, however entrepreneurial, are usually poor competitors in the marketplace.

Consider just one issue—finance. While a for-profit can meet cash-flow difficulties by issuing bonds or stock, a nonprofit usually must turn to debt. Without much in the way of assets to serve as collateral, few nonprofits qualify for significant loans. Even well-run nonprofits tend to grow slowly, if at all. With a social mandate to spend accumulated earnings, most perpetually operate on the brink of bankruptcy.

After reviewing this and other problems facing nonprofits (high staff turnover, poor management, overreaching boards, zealous IRS regulators), one of the leading promoters of entrepreneurial nonprofits, the Roberts Foundation, concedes, “Were there a significant competitive advantage to being a non-profit engaged in revenue-generating activities, we would have witnessed a marked increase in the number of businesses seeking...to take advantage of the added financial benefit of non-profit status in the marketplace. In fact, we see just the opposite.”

The solution for a revenue-minded nonprofit is not to give up on entrepreneurship but to set up a subsidiary. Put everything that can conceivably be placed on a break-even footing (or better) into the revenue generator, and use the proceeds to underwrite everything else through the nonprofit. The subsidiary can be either a for-profit (our preference), a separate nonprofit with a clear revenue-generating mission or even just a department of the nonprofit with a strong measure of autonomy. In all these models, the mission-oriented nonprofit need only become an investor, leaving actual operations of such an enterprise in more business-oriented hands.

The Rocky Mountain Institute, a leading promoter of alternative energy technology in Snowmass, Colorado, has embraced this strategy. E-Source, begun as a project within the nonprofit in 1986, provides in-depth analysis of services, markets and tech-

nologies relating to energy efficiency and renewable energy production. In 1992 RMI secured a program-related investment from the MacArthur Foundation to move the work into a for-profit subsidiary. By 1998 it was generating about \$400,000 for the parent nonprofit, but RMI decided it could do even better under new management, so it sold the company to Pearson PLC in Britain for \$8 million. Today, RMI assists and benefits from other for-profit spinoffs, such as Hypercar, Inc., which aims to create a lightweight body architecture to improve the efficiency of the entire US automobile fleet.

Another example is the Intervale Foundation, a nonprofit based in Burlington, Vermont, which derives more than half its income from inside enterprises. On a 325-acre tract of land Intervale develops socially responsible farm businesses while protecting natural resources. The leading cash generator is the largest commercial composting facility in the state. Its farms program collects rents and fees for land, equipment and other infrastructure from a dozen for-profit organic farms and community-supported agriculture initiatives. Other ventures under development include a conservation plant nursery and technology that processes cow manure into methane and other salable products.

Pioneer Human Services is a nonprofit based in Seattle that assists a wide range of at-risk populations, including the unemployed, the homeless, alcoholics and addicts, and ex-convicts. The organization serves 6,500 people a year and generates nearly all its \$55 million budget through a web of ambitious subsidiary nonprofit businesses: cafes and a central kitchen facility for institutional customers, aerospace and sheet-metal industries, a construction company, food warehouses, a real-estate management group and consulting services for other nonprofits. Most of the jobs in these businesses are awarded to its at-risk clients, allowing it to further its mission to integrate clients back into society.

These kinds of subsidiaries, of course, are not without risks. A

cautionary tale comes from the Milwaukee YWCA, where the director, Julia Taylor, had distinguished herself as a model entrepreneur. Between 1986, when she began her tenure, and 2002 she had developed a variety of for-profit businesses, including a computer software company and a plastics factory, to expand the organization's budget nearly 100-fold. The collapse of these subsidiaries in 2003 left the YWCA saddled with millions of dollars of debt. Taylor herself was one of only two board members overseeing the computer software company, and she paid herself stock options (ultimately worthless).

Minnesota Public Radio's sale of its mail-order catalogue business to Dayton Hudson Corporation for \$120 million was also controversial. The deal was executed by the Greenspring Company, a for-profit subsidiary whose executives—including William Kling, who is also president of the nonprofit MPR—are expected to pocket \$7.3 million personally.

What made Taylor's and Kling's actions ethically problematic was not that they acted entrepreneurially but that each kept one hand in the nonprofit while putting the other in the pocket of the for-profit. Nonprofits must operate at arm's length from related revenue generators, with different management, staff, activities and cultures. And personal enrichment of any person within the nonprofit must remain strictly prohibited. But the examples above also suggest how nonprofits, if they are careful about how they structure the relationship, can use sister companies to become more financially independent without drifting from their mission.

Foundations that really believe the mantra that grantees become more self-reliant should support these efforts, but to do so they must overhaul the way they do business. Today the typical foundation usually spends 5 percent of its assets annually on do-good nonprofits—the legal minimum—derived from investing the other 95 percent in do-bad for-profits. In a recent inter-

Kicking the Grant Habit

Hello. My name is Michael and I'm a grantaholic. I've raised millions in foundation money over the past two decades, and I admit that the next time I need a financial fix, I'll be tempted to raise more. I have a problem. And here's what I'm doing about it.

Six years ago, when I stepped down from directing the Institute for Policy Studies, I started working with the Chesapeake Bay Foundation to design a community-friendly poultry operation called Bay Friendly Chicken, a company designed to undo most of the anti-labor, anti-environment and anti-consumer-health practices of our principal competitors, Tyson and Perdue. Soon BFC will be issuing its first stock—available only to residents of the Chesapeake Bay bioregion, so we can keep ownership local.

BFC has multiple bottom lines. It will serve its investors, including the initial nonprofit sponsor, Community Ventures, which earned stock for writing a feasibility study and business plan. It will improve the lot of the myriad stakeholders in chicken production on the Eastern Shore. And it will serve as a model for how to create diversified ownership of a company through stock that is still rooted in community.

The longer-term goal is to make it possible for Americans to invest their pensions and mutual funds in local business. This brings me to the second business I'm launching, in Santa Fe, called Gulliver LLC. Gulliver is seeding venture funds that invest exclusively in local ma-and-pa's. Most venture funds, when their five to eight years of participation are done, aim to create companies that will be traded on the NASDAQ. Gulliver, in contrast, seeks to create local stock issues, and ultimately a New Mexico stock exchange for local companies.

The third set of businesses concerns local purchasing. I'm working with several groups—in Philadelphia; Portland, Oregon; and Millinocket, Maine—that are creating gift, credit and debit cards to reward consumers with discounts whenever they buy local. A small fee for the cards will finance a linked buy-local campaign.

Any or all of these initiatives may not succeed; the jury will be out for a long while. But I keep in mind Thomas Edison's words that it took thousands of light-bulb-design failures before he could come up with one that worked. Kicking the grantaholic habit is not easy—we all must be prepared to stumble, learn and grow—it's just easier than not kicking it, and a helluva lot more fun.

M.H.S.

view, Mark Dowie, author of *American Foundations: An Investigative History*, said the Pew Charitable Trusts, “the largest environmental grant maker of all the foundations, was earning more money in dividends from the nation’s largest polluters than they were giving to the environmental movement.”

The Hewlett Foundation’s in-house scholar on entrepreneurial philanthropy, Jed Emerson, finds the skewed use of foundation resources indefensible: “Imagine a baseball team manager choosing to send just two of her three dozen players through the rigors of spring training, regular practices and coaching. The rest of the team members would be enrolled in ‘anti-training,’ in which they’d be encouraged to park on the clubhouse couch all day watching *Dukes of Hazzard* re-runs.”

Foundations need to start investing a greater percentage of their asset base in businesses aligned with their missions. The good news is that IRS law allows “program-related investment” (PRI) losses to count toward the minimum 5-percent-per-year payout. Consistent with its mission, the F.B. Heron Foundation now uses PRIs to invest \$42 million of its \$226 million asset base in housing, real estate and other community-development enterprises in low-income neighborhoods. These investments thus far have performed as well as the foundation’s remaining assets, and, in Emerson’s view, illustrate how a foundation has put “more than *four times* the annual grant assets...at work.” [Emphasis in original.]

The total percentage of foundation asset bases being invested in PRIs right now? An embarrassing one-tenth of 1 percent.

What About Pure For-Profits?

The possibility of a for-profit undertaking social-change work without a linked nonprofit also needs to be considered. While we reject the libertarian argument that every human problem has an economic solution, many social-change issues clearly have economic dimensions that are susceptible to creative business plans.

Hate Bush’s hot pursuit of nuclear power? Launch energy-service companies to spread conservation measures, or build local wind farms to take control of your own electricity future. Concerned about the poor, minorities and women having equal access to credit? Create more community banks, credit unions and micro-enterprise funds. Troubled by pharmaceutical prices that make life-saving drugs unattainable for impoverished people across the globe? Start, as several companies based in the Third World did, companies that mass-produce affordable knock-offs of high-priced American drugs.

By some reckonings, we’re now on the third generation of socially responsible businesses. The first generation comprised Fortune 500 companies that tried to improve their social performance, often in small ways with large public-relations budgets. Many executives in these companies continue to share best practices through Business for Social Responsibility (BSR), which got started in 1992.

The second generation represents small and medium-size businesses whose proprietors are more eager to align themselves and their companies with progressive causes, and whose CEOs collaborate through organizations like the Social Venture Network (SVN). We applaud the Body Shops, the Ben & Jerry’s and the Benettons of the world, each of which manufactures decent

products, comports (however imperfectly) with reasonably responsible labor and environmental standards and piggybacks snippets of political education in its advertising. The importance of the millions given by these kinds of companies—Newman’s Own, for example, has donated more than \$150 million to charities, including many progressive causes—should not be underestimated. But at the end of the day, the core products of each, whether cosmetics or ice cream, are pretty ho-hum, and they are not linked to any particular community.

What has impressed us most is the growing number of local businesspeople who not only “walk the talk” of social justice in the small details of their operations and products but also tout the virtues of local ownership. This third generation is now being led by the Business Alliance for Local Living Economies (BALLE) and by the American Independent Business Alliance (AMIBA). Both emerged in recent years as grassroots alternatives to BSR and SVN, and have mushroomed into three dozen chapters with several thousand affiliated small businesses. Each promotes local ownership of the economy and pushes for new public policies that remove the tilts in the playing field that currently favor badly behaved big business.

One of the founders of BALLE is Judy Wicks, whose White Dog Cafe in Philadelphia is as much a community organizing center as a restaurant. Radical speakers from around the country provide a steady stream of lectures. An adjacent store sells “fair trade” products and will soon be introducing a line of locally made clothing. The White Dog itself embodies principles of social justice and environmental stewardship by paying all employees a living wage, insisting on humanely raised meats and eggs, using locally grown ingredients and running on wind electricity. Twenty percent of profits from the restaurant go to the White Dog Cafe Foundation, carrying on the cafe’s mission through nonprofit activities.

American progressives have long preferred nonprofits over for-profits. Yet why should we lionize all nonprofits, even those with poor labor practices, bureaucratic excess and undemocratic power structures? And why should we view all business as the enemy, whether big or small, global or local, dirty or green, exploitative or responsible? These attitudes are self-destructive. They unnecessarily distance us from millions of otherwise simpatico entrepreneurs. We should remember the potential virtues of many businesses—the positive contributions their goods and services can make to people’s lives, the living-wage jobs they can supply, the leverage they can provide for women, people of color and other long-disadvantaged members of our society.

If foundations and donors did not exist and professional pan-handling were outlawed, we would be forced to turn to creating and running new enterprises, and our movement would be considerably healthier than it is today. Progressives have become the classic 20-something kid still living at home, expecting an allowance from the deep-pocket parents for a few basic chores, while agreeing, as a condition for the chump change, to obey someone else’s rules on social change. It’s time to grow up, move on and strike out on our own.

Here’s a challenge to fellow activists (one we take seriously ourselves): Let’s try to wean ourselves from the charity habit, say

by 3 percent per year. Think about just one piece of your agenda that could be framed as a revenue generator, dream about it a little, develop a business plan, and give it a try. If you lack the skills, skip your next fundraising class and instead attend one of thousands of entrepreneurship programs around the country. Or hire someone who might start the entrepreneurial subsidiary of your nonprofit.

Gandhi understood that the key to freeing India was to transform his fellow citizens into economically productive agents by spinning their own cloth and taking their own salt from the sea. Martin Luther King Jr. implored African-Americans to form their own credit unions and community development corporations. The secret to being as radical as we want to be—and as radical we need to be—is to finance the revolution ourselves. ■

THE WAR-RAVAGED, OPIUM-DEPENDENT COUNTRY LIVES IN FEAR OF A NEW DRUG WAR.

Afghan Poppies Bloom

CHRISTIAN PARENTI

The rotund landlord, Mr. Attock, sits on the carpeted floor of his little office and living quarters in Jalalabad, Afghanistan. From this one room he publishes a slight and sporadic weekly or sometimes monthly newspaper, but like most people around here, his real business is farming opium poppy. Mr. Attock's land lies about an hour and a half away in the countryside of Nangarhar province, near the Pakistani border, not too far from Tora Bora.

"My dear, everyone grows poppy. Even me," says Mr. Attock in slightly awkward English as he leans over to grab my leg, again. Mr. Attock is a bundle of physical and intellectual energy, not all of it well focused. "My dear, you see. Listen. My dear, wheat is worthless. Everyone grows poppy. We will go to my village and you will see."

The next day we tour the village where Mr. Attock owns or manages a farm (it's not entirely clear who actually owns the establishment, but he is in charge). Nangarhar is one of Afghanistan's top three drug-producing provinces. The surrounding fields rotate between corn and poppies. Mr. Attock says he has almost 100 people living and working here as tenant farmers and laborers.

For the past three years, growing poppy in Afghanistan, as Mr. Attock and his tenants do, has been a relatively risk-free and open business. The Taliban had imposed a ruthlessly successful ban on poppy cultivation in 2000; more than 90 percent of cultivation stopped. But since the US invasion in 2001, eradication efforts have been minimal and ineffective and production has again soared.

Globally, Afghanistan's opium business is estimated to be worth more than \$30 billion a year, with the vast majority of that cash being captured by players in other countries. One Western counternarcotics official estimated that poppy production increased by 64 percent in 2004. Afghanistan now produces an estimated 87 percent of the world's opium, most of which becomes heroin and morphine. Income from poppy and its associated



IGOR KOPILNITSKY

processing and trafficking are said to contribute \$2.8 billion annually to the Afghan economy, a sum equal to 60 percent of the country's legitimate GDP. About a quarter of this money ends up in the hands of common farmers; the rest goes to traffickers. UN researchers believe that 2.3 million of Afghanistan's 20–25 million people are directly involved in poppy cultivation, with many more working in processing, trafficking, money-lending, laundering and other associated activities. The warlords who run this country tax both farmers and traffickers alike.

The British, who are part of the international coalition now occupying Afghanistan, have been in charge of establishing a Counter Narcotics Directorate in Kabul. Its efforts have not been aggressive, and until recently the Americans have openly avoided the issue of poppy cultivation, preferring to focus instead on hunting down the Taliban and Al Qaeda and training the new Afghan National Army.

But after three years of ignoring poppy cultivation and heroin production, the United States has suddenly changed course. In mid-November Washington pledged \$780 million toward Afghanistan's war on drugs. If a rigorous campaign against poppy actually materializes, it could radically destabilize the relative calm that now obtains in much of Afghanistan.

Already there is trouble brewing in Nangarhar, where next year's crop is just starting to sprout. Farmers report low-flying planes spraying poison on their fields. Doctors in the area say they've seen a sudden jump in respiratory illness and skin rashes, while veterinarians are seeing sickened livestock. In a harbinger of what a real war on drugs might bring, one farmer in Nangarhar whose son had been poisoned by the spraying told a local journalist, "If my son dies, I will join the Taliban, and I will kill as many Americans as I can find."

Nangarhar's provincial governor, a former mujahedeen commander named Haji Din Mohammed, has said there is "no doubt that an aerial spray has taken place." Other Afghan officials have called it illegal. The United States controls Afghan airspace but denies that it has sprayed, though it is promising a "robust" eradication campaign come spring.

Christian Parenti is the author of The Freedom: Shadows and Hallucinations in Occupied Iraq (New Press). Research support for this article was provided by the Investigative Fund of The Nation Institute.