INTRODUCTION

A Continuous and Hidden History of Economic Defense and Collective Well-Being

Courage: Every great movement started as we have started. Do not feel discouraged because in our few months of life we have not rivaled some long established Co-Operative venture. Each successful Co-Operative enterprise has taken much time and energy and sacrifice to establish. Nothing worth accomplishing is ever achieved without WORK.
—BAKER (1931D, 2)

No race can be said to be another's equal that can not or will not protect its own interest. This new order can be brought about once the Negro acknowledges the wisdom in uniting his forces and pooling his funds for the common good of all. Other races have gained great wealth and great power by following this simple rule and it is hoped some day that the Negro will do the same.
—WILSON (1942C, 1–2)

We can by consumers and producers co-operation, . . . establish a progressively self-supporting economy that will weld the majority of our people into an impregnable, economic phalanx.
—DU BOIS (1933B, 1237)

We have a chance here to teach industrial and cultural democracy to a world that bitterly needs it.
—DU BOIS (1940, 715)

African Americans have a long, rich history of cooperative ownership, especially in reaction to market failures and economic racial discrimination. However, it has often been a hidden history and one obstructed by White supremacist violence. When there is a narrative, the history is told as one of failure. The challenges have been tremendous, and have often been seen as insurmountable. The successes are often anecdotal and isolated, little understood, and even less documented—particularly as part of an economic development strategy and a larger economic independence movement. My research suggests that African Americans, as well as other people of color and low-income people, have benefitted greatly from cooperative ownership and democratic economic participation throughout the history of the United States, much like their counterparts around the world. This book documents these practices and experiences, as well as the various philosophies behind the strategy of cooperative ownership among African Americans.

Considering the broad aspects of cooperative economic development in African American communities over the past two centuries, my research shows that cooperative economic thought was integral to many major African American leaders and thinkers throughout history. These include known figures such as W. E. B. Du Bois, A. Philip Randolph, Marcus Garvey, E. Franklin Frazier, Nannie Helen Burroughs, George Schuyler, Ella Jo Baker, Dorothy Height, Fannie Lou Hamer, and John Lewis, as well as lesser-known figures such as Halena Wilson, Jacob Reddix, W. C. Matney, Charles Prejean, Estelle Witherspoon, Ralph Paige, and Linda Leaks; and organizations such as the Young Negroes' Co-operative League, the North Carolina Council for Credit Unions and Associates, and the Federation of Southern Cooperatives/Land Assistance Fund. This study attempts to show how these individuals and organizations contributed to the development and philosophy of the African American co-op movement. I consider the various organizations' agendas and strategies over time, as well as the kinds of impact cooperative practices have had on Black communities. There are lessons to be learned from the history of cooperative economic models that can be applied to future discussions about community economic development in communities of color.

What Is a Cooperative?

Cooperatives are companies owned by the people who use their services. These member-owners form the company for a particular purpose: to satisfy an economic or social need, to provide a quality good or service (one that the market is not adequately providing) at an affordable price, or to create an economic structure to engage in needed production or facilitate more equal distribution to compensate for a market failure. The International Co-operative Alliance (ICA), a nongovernmental trade association founded in 1895 to represent and serve cooperatives worldwide, defines a cooperative as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" (ICA 2012b). Cooperatives range across the globe from small-scale to multi-million-dollar businesses. There are more than one billion members of cooperatives throughout the world

(ICA 2012a).[1] According to the ICA, in 1994 the United Nations estimated that "the livelihood of nearly 3 billion people, or half of the world's population, was made secure by co-operative enterprise" (2012a)—and the cooperative movement has continued to grow since then. Moreover, the United Nations designated the year 2012 "the international year of cooperatives," with the theme "cooperative enterprises build a better world" (UN 2011), recognizing the viability of the model in addition to its widespread use. Although they were not a well-publicized economic structure before 2012, cooperatives are a significant force in the world economy. Building on the successful year of cooperatives, the ICA and UN have now declared the following ten years to be the international decade of cooperatives.

Cooperatives are classified into three major categories, depending on the relationship between the member-owners and the co-op's purpose: consumer-owned, producer-owned, or worker-owned (or some combination of the three).[2] Consumers come together and form a buying club or cooperative retail store in order to pool their money to buy in bulk the kinds of goods and services they want, and the quality they want, at an affordable price. Consumers establish a grocery cooperative, for example, if fresh produce and natural and vegetarian foods are not supplied elsewhere or are very costly. Consumers also come together to buy electricity, financial services (as in a credit union), environmentally friendly fuels, pharmaceuticals, or child care, for example. Cooperative retail enterprises such as natural-food grocery stores and rural electric and energy cooperatives, together with credit unions, are the most common and successful examples of consumer cooperatives. Credit unions offer financial services and loans to a specific group of members (affiliated with a union, a workplace, or a church, for example) or to underserved communities, and keep financial resources circulating in the community. Housing co-ops expand home or apartment ownership to more people, addressing both financing and maintenance issues, and often build in long-term affordability.

Producers also form cooperatives to jointly purchase supplies and equipment or to jointly process and market their goods. Here again, cooperative economics facilitates the pooling of resources to supply producers or to help produce or enhance their product, to standardize procedures and prices, to increase the selling price, or to decrease the costs of distribution, advertising, and sales. Agriculture marketing and craft cooperatives are the most common form of producers' cooperatives.

Workers form cooperatives so as to jointly own and manage a business themselves, to stabilize employment, make policy, and share the profits. Worker cooperatives are often established to save a company that is being sold off, abandoned, or closed down, or to start a company that exemplifies workplace democracy and collective management. Worker-owned businesses offer economic security, income and wealth generation, and democratic economic participation to employees, as well as provide communities with meaningful and decent jobs and promote environmental sustainability.

Cooperative businesses must operate democratically, according to a set of principles that include open membership, equal voting rights for each member regardless of how much is invested, returns based on use, continuous education, and concern for the community.[3] According to the ICA, "co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity" (ICA 2012b), as well as accountability and transparency. Cooperatives operate on a "double bottom line"—paying attention not just to good business practices and producing a surplus but also to good functioning of the association and to member and community participation (democratic participation) and well-being (Fairbairn 2003; Spear 2000). Because many cooperatives also address sustainability (both economic and environmental), they are often seen as addressing a "triple bottom line": economic (business), social (mutuality and participation), and ecological sustainability. Fairbairn argues, however, that making distinctions between social and economic sustainability is reductionist because it suggests trade-offs instead of synergies. A more integrated approach recognizes that "social and economic functions come together" and that economic activities achieve social goals (Fairbairn 2003, 4). This is not an either/or relationship in which one goal has priority over others.

Comparisons with Other Business Forms

The co-op participation structure and its mission or purpose are the major ways in which cooperatives differ from other businesses. Like all businesses, "all types of co-operatives have to cover costs with revenues raised in a competitive context" (Fairbairn 2003, 5). Cooperative enterprises, however, modify capitalist principles by limiting the amount of dividends earned, limiting voting power, and limiting the number of shares any one member may own (Emelianoff 1995, 83). In cooperative enterprises, the three major interests of any business—ownership, control, and beneficiary—are all "vested directly in the hands of the user" (ICA 2007). Cooperatives are organizations of buyers and sellers and consumers and owners—not one or the other.[4] This combination solves the general economic problem of overproduction and business uncertainty, eliminating the middle man and reducing costs, according to Warbasse (1918). The University of Wisconsin Center for Cooperatives

(2012) provides a chart that explains the major purpose, membership/ownership requirements, and tax liability differences between cooperatives and other corporations and legal business structures (see table I.1). A co-op's purpose is to meet member needs, not just to earn a return on investment (the purpose of a traditional corporation). Profits, or what co-ops call surplus, are distributed to members in proportion to use, with a limited return on capital in general in cooperatives, a departure from the practice of corporations, where profits are distributed according to stock ownership (in proportion to investment). Tax liability is also different. Under U.S. law, members pay income tax on "qualified profit distributions based on patronage," and the cooperative pays taxes on unallocated surplus and nonqualified profits (University of Wisconsin Center for Cooperatives 2012). Owners of C corporations (the stockholders) pay taxes on their dividends and capital gains from the sale of stock, while the corporation pays taxes on profits. Stockholders of S corporations pay individual-rate taxes on their profit share and their capital gains.

Table I.1 provides more details about differences and comparisons with other business structures. For specific details about how cooperatives compare with employee-owned businesses, table I.2 compares cooperatives, particularly worker cooperatives, with employee stock-ownership plan (ESOP) companies. Under worker-cooperative-ownership structures, the employee-owners vote for the board of directors, which sometimes consists of all the employee-owners. In worker cooperatives, labor rents capital instead of capital renting labor, which allows the "new assets and liabilities created in production" to accrue to the residual claimants (workers) (Ellerman 1990, 207). In worker cooperatives, "the relationship between the worker and the firm is membership, an economic version of 'citizenship,' not employment"—the employment relationship is abolished (206). In ESOP structures, ownership is still determined by traditional corporate stock ownership—with voice and profits determined by how much stock is owned—and the proportion of stock ownership allocated to employees is determined by the actual plan that created the ESOP. ESOP companies democratize some of the stock ownership by distributing stock to employees and thus giving them some level of participation in profit distribution and overall governance. But unless the company is 100 percent employee owned, the ownership of stock does not translate into employee control over decisions and work rules. ESOP structure does not necessarily change any of the major economic relationships or institute workplace democracy. An ESOP is basically a retirement plan that distributes stock ownership to employees as a major component of the retirement account. ESOP employees receive a return on their investment and any share

TABLE I.1 Cooperative vs. corporation comparison

	Cooperative corporation	Unincorporated cooperative association	Corporation (C or S)	Limited liability company (LLC)	Partnership	Proprietorship	Nonprofit
Who are the owners?	Members (individuals or entities).*	Members (individuals or entities); may include both patron and investor classes.	One or more shareholders (individuals or entities). S Corp. limited to 100 shareholders.	One or more individuals who are members.	At least two individuals or entities.	Individual.	No ownership.
What are membership requirements?	Determined by bylaws. Usually one share/fee. May include other requirements.	Determined by bylaws.	One share of stock, with rights and privileges attached to it determined by the articles of incorporation, bylaws, shareholder agreement, and applicable law.	At discretion of LLC members.	At discretion of partners.	At discretion of owner.	Membership fee may be required to participate.
What is the business purpose?	To meet member needs for goods or services; earn return on member investment.	To meet member needs for goods or services; earn return on member investment.	To earn a return on owner investment.	To earn a return on owner investment; provide employment for members.	To provide employment for partners and a return on partners' investments.	To provide employment for owner and a return on owner's investment.	To provide services or information.
How is the business financed?	Stock/shares to members and/or outside investors; retained profits.	Stock/shares to patron and investor members; retained profits.	Sale of stock; retained profits.	LLC member investments; retained profits.	Partner investments; retained profits.	Proprietor's investment; retained profits.	Grants, individual contributions/donations, fees for services.

Who receives profits?	Members in proportion to use; preferred shareholders in proportion to investment, up to 8%.	Patron members in proportion to use; patron and investment members in proportion to investment.	Shareholders in proportion to investment.	LLC members in proportion to investment, or by agreement.	Partners in proportion to investment, or by agreement.	Proprietor.	Retained within the organization.
Who pays income taxes on profit?	Members on qualified profit distributions based on patronage;** co-op pays on nonqualified and unallocated profits; co-op receives credit and passes through tax liability when nonqualified allocated profits redeemed to members.	Members pay individual rate, or can elect to be taxed as cooperative corporation.	C Corp. pays on profits; shareholders pay individual capital gains rates on dividends; S Corp. stockholders pay individual rate on profit share and capital gains.	LLC members pay individual rate, or can elect to be taxed as a corporation.	Partners pay individual rate.	Proprietor pays individual rate.	Not applicable: tax exempt.
What is owner's legal liability?	Limited to member's investment.	Limited to member's investment.	Limited to shareholder's investment.	Limited to member's investment.	Unlimited for general partners, limited to investment of limited partners.	Unlimited for proprietor.	Limited to assets of the organization.

Source: University of Wisconsin Center for Cooperatives 2012. Reprinted with permission from the University of Wisconsin Center for Cooperatives, 2012.

Note: There may be exceptions to what is summarized here. See state business statutes and/or consult an attorney for further information.

*Preferred-stock shareholders may include nonmembers and may vote on certain issues such as dissolution. As a group, preferred-stock shareholders do not set policy; only members can vote for directors.

**Members of personal consumer co-ops do not pay taxes on patronage refunds that follow certain IRS guidelines.

TABLE I.2 Comparison of cooperative businesses (worker co-ops) with employee stock ownership programs

	Worker co-op	ESOP	Other employee ownership mechanism
Who are the owners?	Employees; sometimes nonvoting preferred-stock owners.	One or more shareholders (individuals or entities). Some proportion of employees (can be 100% or less) through trustee; employee stock held in trust (defined contribution pension plan).	Nonemployees and employees with some stock options in partnership, sub-S Corp., nonqualified stock purchase plans, incentive stock options.
What is the business purpose?	To meet member needs for stable high-quality jobs; have control over their own work; jointly market their services; earn return on member investment. For local employee control over investment and disinvestment.	Employee trustee retirement plan; to earn a return for retirement on owner investment. Local employee control over investment and disinvestment (depending on percent employee owned).	To earn a return on owner investment and provide some profit sharing with employees.
How is the business financed?	Stock/shares to members, and/or outside investors (social investment); sometimes earn grants for social mission; retained profits/surplus. Equity capital challenges.	Sale of stock; equity investors (partnerships with private investors and/or loans to employees); retained profits. Equity capital challenges if 100% employee-owned.	Sale of stock; equity investors; retained profits.
Who votes for and serves on the board of directors?	Worker-owners (one person, one vote). Employees under democratic governance and self-determination.	Owners, managers, employees (proportion depends on the ESOP agreement and percent employee ownership) (one share, one vote). Employee governance not guaranteed and depends on percent ownership.	Based on stock ownership (one share, one vote).
Who receives the profits/surplus or net income?	Worker-owners in proportion to use (patronage) and contributed capital at time of annual distribution; preferred stockholders in proportion to investment.	Based on share of stock ownership: for employees, dividends per share retained in retirement account distributed upon exit from the company/retirement; penalty for early distribution.	Based on share of stock ownership, dividends per share.

Who pays income taxes?	Worker-owners on salaries and on qualified profit/surplus distributions based on patronage (when distributed to member accounts); co-op pays on nonqualified and unallocated profits. Fewer tax advantages than ESOPs, co-op tax status (subchapter T of the Internal Revenue Code), but no taxes to pay on exit. Not tax exempt.	Many exemptions from taxes on the corporation, lenders, selling shareholder/original owner, and ESOP participation; benefits for retiring employee-owners (also employee-owners pay taxes upon exit or retirement, i.e., when distributed). Private investors also have tax advantage on exit. Not tax exempt.	Fewer or no tax advantages. Not tax exempt.
Incorporation/ charter jurisdiction?	State, with applicable federal requirements under tax law; less legally complicated than ESOP.	Federal; more federal regulation (through ERISA) than co-ops.	Federal.

Sources: Based on information in Olson 1993 and Britton and Stewart 2001, adapted by author.

of the profits upon exit from the company, which usually occurs at retirement, rather than during their employment or in proportion to their use, as in a cooperative.

Owners of corporations are stockholders, and their power derives from the amount of stock they own (their proportion of the investment). Co-op members are the owners, determined by the enterprise's bylaws and the fact that they have invested at all in the co-op (no matter how much or how little). Co-op members all have equal voting power ("one person, one vote"), and their influence on the cooperative depends on their participation in and use of the cooperative. Surplus distribution is decided jointly and shared relatively equally. These differences in structure and procedure provide cooperatives with different mechanisms and unique functioning for conducting business—and they often give cooperatives an advantage over other types of businesses.

Cooperatives are not just economic enterprises; they are also relatively homogeneous associations of people who have come together to address a common need or want, which "reduces to a minimum potential frictions and suspicions within the aggregate" (Emelianoff 1995, 250). Traditional neoclassical economics lacks a theory of democratic or social enterprise, because "the firm is seen as a technologically specified black-box or, from the institutional viewpoint, as a piece of property, a capital asset—not a community of work qualifying for democracy" (Ellerman 1990, 207; see also Fairbairn 2003). Emelianoff (1995) tried to apply pure neoclassical economic theory to the theory of cooperation, and while he could describe what cooperatives are, he had trouble categorizing them as economic enterprises because of their social aspects and their function for use rather than for profit. Emelianoff seemed more comfortable categorizing cooperatives as some kind of not-for-profit organization without an economic basis, i.e., not a business. Fairbairn (2003, 3) notes that business leaders, policymakers, and mainstream economists view cooperatives as burdened and marginal and as more likely to fail because they are expected to do more (i.e., they are hindered by the expectations of and obligations to their members), but they cannot raise capital from markets in the same way as other business corporations. Spear (2000, 510) turns this notion on its head and expresses the concern that for-profit businesses, in their quest for excessive profits, exploit situations to provide inferior products and services. Spear observes that asymmetrical information and lack of opportunity to monitor quality create a failure in the ordinary contractual processes so that exploitation can occur. This gives not-for-profit enterprises an advantage as companies that can build and depend on trust, reciprocity, and transparency.

Emelianoff (1995) had no theory of the social enterprise when he wrote about the economic theory of cooperation in 1948. Later in the twentieth century, as scholars developed theories of not-for-profit enterprises, social entrepreneurship, the social economy, and the solidarity economy, there was a better understanding of cooperatives as economic enterprises with unique strengths. Today we have a much better understanding of not-for-profits and of organizations that operate economically and within some kind of market using monetary exchange, but where making a profit is not the primary purpose. Spear, for example, explains that demand-side theories of contract failure and excessive market power help to explain how state and market failures lead consumers and workers to search for alternatives that base economic exchanges more on trust and transparency (2000, 510). In addition, supply-side theories that focus on agency and the dynamics of institutional choice (508–9) contribute an understanding of social entrepreneurship and historical legacies to the understanding of cooperative effectiveness and efficiencies.

The Cooperative "Advantage"

Spear sums up the current understanding of the economic and social advantages of cooperatives: the associative nature of cooperatives and their tight connections with community "provide a uniquely favourable basis for the utilization of social capital, its reproduction and accumulation." This attracts nontraditional resources, reduces costs of ownership, provides "a network of [reciprocal and] trust relationships which reduce asymmetric information and opportunistic behavior," and allows "more efficient economic exchanges and activities" (2000, 519). Cooperatives address market failure, asymmetric information, distrust of opportunism, excessive market power, and barriers to entry.

As early as the 1920s there was clearly a growing concept of cooperatives as economic entities that solve economic problems in different ways than conventional for-profit businesses. For example, the director of the Division of Foods and Markets of the New York Department of Farms and Markets argued that "there is scarcely a duty connected with the marketing work that we cannot accomplish more effectively by the path of organization of cooperative enterprises than we can through any means of governmental control or governmental direction that did not involve cooperative effort" (Jones 1920, 51). He also argued that cooperative organization was the best way "to accomplish standardization, uniform packing and more economical methods of shipping" in the private sector, and to change distribution conditions: "if you have a consumers' organization that is distributing foodstuffs solely for use, you can change the physical facilities and change the methods of doing business and approach your whole problem from the standpoint of rendering the most efficient and economical service to the people" (53). The chair of the Committee on Cooperative Organizations of the Division of Foods and Markets also noted that cooperatives allow "uniformity of shipments." In addition, the committee emphasized the role of cooperatives in facilitating "needed market reforms," writing that the cooperative organization "often increases the price to the producer and lowers it to the consumer by eliminating abnormal profits, wastes and losses between the two"; "enables the grower to understand commodities and discuss them in the same terms with the purchaser"; "makes possible better business methods in dealing with the buyer, transportation companies, etc."; and disseminates "valuable information to help prevent losses in business" (White 1920, 29–30).

Others have studied the social purpose of cooperatives. Also writing in 1920, Ruby Green Smith noted the "loyalty to collective action that shall result in the greatest good to the greatest number" (1920, 16). Bristow Adams observed that "successful cooperation means the ability to work so that the other fellow can work with you" (1920, 48). The president of the Cooperative League of the USA, James P. Warbasse, noted that "the fundamental principle of cooperation is the principle of democracy" (Warbasse 1920, 26). These early twentieth-century views of cooperative enterprises anticipate Vanek's (1971) notion of active participation, Ellerman's (1990) concept of universal membership, and Fairbairn's theory of interlocking and multidimensional relationships between members and the co-op: "a co-operative has powerful advantages because of its integrated, flexible and dynamic relationship with its members" (2003, 26).

How are these notions of business and democracy connected? Can there be an effective and efficient business that is also a social enterprise operating on the principles of democracy and equality? Cooperative economic theory gives us an understanding of communities of work (Ellerman 1990) and associations of people engaged in common economic activity that "aggregate the market power of people" (Birchall and Ketilson 2009, 10). Cooperatives are understood more and more for their unique contribution to economic development, particularly community-based economic development. Cooperative economic development is experiencing success in urban as well as rural areas around the world, developing—and surviving—as a response to market failure and economic marginalization (see Fairbairn et al. 1991). Cooperatives address such issues as community control in the face of transnational corporate concentration and expansion; the pooling of resources and profit sharing in communities where capital is scarce and incomes low; and increased productivity and improved working conditions in industries where work conditions may be poor and wages and benefits usually low (Gordon Nembhard 2008c). Cooperatives "aggregate the market power of people who on their own could achieve little or nothing, and in so doing they provide ways out of poverty and powerlessness" (Birchall and Ketilson 2009, 10). Spear contends that "co-operatives have a greater social efficiency by generating positive externalities, and through their social benefits of empowerment, community links, etc." (2000, 522).

The United Nations (UN) and the International Labour Organisation (ILO) recognized the potential of cooperative enterprises for economic development and poverty reduction at the beginning of the twenty-first century (ILO 2002; Birchall 2003). During the UN's 2005 Year of Micro-Credit, the ICA highlighted the role that cooperative enterprises have played for more than a century in providing microfinance and supporting microenterprise throughout the world. The ICA claimed that "cooperatives are amongst the most successful micro-finance institutions" (ICA 2005, 1) at the International Day of Co-operatives on July 2, 2005, when it launched the campaign "Microfinance is our business: Co-operating out of poverty." The UN explains that its designation of 2012 as "the International Year of Cooperatives is intended to raise public awareness of the invaluable contributions of cooperative enterprises to poverty reduction, employment generation and social integration. The Year will also highlight the strengths of the cooperative business model as an alternative means of doing business and furthering socioeconomic development" (UN 2011).

People in every country and throughout history have used cooperative economics as a development strategy. Cooperatives—particularly worker-owned cooperative businesses—are examples of democratic economic institutions that provide a mechanism for pooling resources, increasing benefits, and sharing profits. In addition, those of us who study cooperative business development find that it solves many problems created by market failure, economic discrimination, and underdevelopment. Haynes and Nembhard suggest that "many who worry about the survival of our cities recognize that collaboration and cooperation are and will continue to be critical elements in any strategy of community revitalization" (1999, 65). Fairbairn et al. elaborate: "For decades, co-operatives in market economies have arisen where there are market deficiencies—imperfect competition, excessive concentrations of power, and unmet needs. They have arisen, too, where the costs of adjustment to economic change have threatened to destroy communities, where local people needed power to control the pace and direction of change in order to preserve what they valued. Look for the market deficiencies, look for the costs of change—look for the need—and find the niche where a co-op may thrive" (1991, 1).

Cooperative businesses are group-centered, need-based, and asset-building local development models based on the pooling of resources, democratic economic participation, and profit sharing. They are locally controlled, internally driven democratic institutions that promote group learning, economic interdependence, consolidation of resources, development of assets, and protection of people and the environment. Cooperatives stabilize their communities—increasing economic activity, creating good jobs, increasing benefits and wages, and encouraging civic participation. Community-based cooperatively owned enterprises are characterized by greater community input and participation in the planning, development, and governance of commercially viable, socially responsible businesses. Cooperatives provide a mechanism for low-resource people with few traditional opportunities to create new economic opportunities for themselves and their co-workers and neighbors.

Evidence suggests that cooperatives increase productivity and create value, particularly those owned and controlled by employees. Levine and Tyson, for example, surveyed the research and found that "both participation and ownership have positive effects on productivity" (1990, 202). Vanek (1971) similarly emphasizes the importance of and efficiencies gained from active participation (in ownership, which leads to participation in control and management) and equitable income sharing. Levine and Tyson summarize the research and conclude that cooperatives create superior working conditions. Spear finds that worker co-ops are more flexible than traditional companies, and have "less inflation and less unemployment in downturns which produces a positive macroeconomic effect" (2000, 522). Logue and Yates have found more recently that worker cooperatives and employee-owned firms have survival rates that equal or surpass those of conventional firms, and produce a combination of conventional and nontraditional economic returns. They "place more emphasis on job security for employee-members and employees' family members, pay competitive wages (or slightly better than their sector), provide additional variable income through profit-sharing, dividends or bonuses, and offer better fringe benefits" (2005, ix). In addition, cooperatives often support community programs and facilities such as schools and health clinics. Cooperatives tend to promote increased civic engagement (see, for example, Gordon Nembhard 2000, 2002, 2004b; Gordon Nembhard and Blasingame 2002, 2006), helping to empower communities to create new economic structures and infrastructure that meet their myriad needs, based on their particularities and experiences. Small, democratically governed cooperatives in particular, whose members are often low-income, work to broaden and democratize business and home ownership, and allow members to pool resources and skills to enable them to be owners and to achieve economies of scale and higher efficiencies.

Birchall and Ketilson (2009) document both the resilience of the cooperative business model and the ways that cooperatives and credit unions have weathered financial and economic crises over the past hundred years or more. Cooperative business ownership, cooperative financial institutions, and co-op housing have been solutions to past economic challenges, such as debt peonage under Jim Crow, and lack of food, affordable housing, and financial services during the Great Depression; and they can solve current and continuing economic challenges such as the redevelopment of the Gulf Coast after Hurricane Katrina and recovery after the housing crisis of 2007–9 and the current "Great Recession."[5]

In the twentieth century there was a growing recognition of the benefits of cooperatives, even for African Americans. In 1918, writing in the *Crisis* for an African American audience, Warbasse observed, "The fact that he [the Negro] is the most exploited of all people, that the government discriminates against him, and that he pays more for what he buys than does the white citizen should open his eyes to the possibility of co-operation" (1918, 224). Du Bois argued that cooperatives would provide the economic opportunities denied to African Americans, and would allow Blacks to serve the common good rather than be slaves to market forces (Du Bois 1933b).[6] Similarly, George S. Schuyler contended early in his career that cooperative economics would "save the race" (Schuyler 1930b, n.d.). A. Philip Randolph connected the consumers' cooperative movement to the labor movement (Randolph 1918; Wilson and Randolph 1938). Halena Wilson (1952) urged her fellow members of the Ladies' Auxiliary to the Brotherhood of Sleeping Car Porters to seriously consider the "mutual profit and common benefit" of cooperative ownership. By 1992 Jeremiah Cotton was rationalizing that since Blacks suffer common material conditions ("if each black person's material well-being is dependent on that of all other blacks"), they should exercise "community cooperation" (1992, 24). This book explores the cooperative thought of these and other Black leaders, chronicles their cooperative practices, and provides context for their cooperative economic ideas and strategies.

Is There an African American Cooperative Tradition?

When I began this project fifteen years ago, my colleague Curtis Haynes Jr. and I had been exploring how theories of cooperative economic development and Black self-help could address late twentieth- and early twenty-first-century urban redevelopment or revitalization. We made the case that what we called Du Bois's theory of racial cooperative economic development,[7] combined with Hogan's theory of Black self-help and the model of Mondragon Cooperative Corporation among the Basque people in northern Spain,[8] made a compelling case for public policy that fostered and supported cooperative economic development in Black urban communities (Haynes and Gordon Nembhard 1999; Gordon Nembhard and Haynes, 2002, 2003). It seemed reasonable to us that combining the thought of two important African American activist scholars with successful practice among another subaltern group would provide a straightforward prescription for economic revival in U.S. inner cities. Before the Haynes and Gordon Nembhard article in 1999, contemporary Black political economy rarely included an analysis of cooperative economics; and, to date, neither the delineation of a theory of Black cooperative economic development nor an in-depth analysis of the strategy and its accomplishments and benefits has been accomplished.

Haynes and I have also identified the elements of the Mondragon Cooperative Corporation in northern Spain that are replicable and illustrate networked cooperative economic development (Gordon Nembhard and Haynes 2002, 2003). We identified elements such as solidarity, worker sovereignty, clustering, leadership development, and education as essential to understanding cooperatives as a group economy strategy. I examine these concepts more fully in part III of this volume.

While presenting the general theory that cooperatives are an important strategy for economic development for African Americans and discussing our analysis with others, two major questions arose: have Black folk ever practiced cooperative economics? And why would resources be allocated for this? I became very curious about the first question, and as I began to talk more about cooperatives as a strategy for Black community economic development, more and more people told me that Black people do not participate in co-ops. So I set out to determine whether, and how much, African Americans have been involved in cooperative economics, and why African American memories and histories do not include cooperative practices or address cooperative strategy. In the wake of the UN celebration of cooperatives in 2012, this book offers a history of African American cooperative economic development that documents significant Black involvement in the cooperative movement. It is my hope that it will help us to understand the challenges and celebrate the successes of African American cooperative activity.

Methodology

Seeking to understand African Americans' connection to cooperatives, I began by rereading Haynes's theoretical analysis of Du Bois's cooperative economic thought (Haynes 1993, 1994, 1999) and then reread Du Bois himself on the subject (Du Bois 1907, 1933b, 1933c, 1935b, 1940). After 1907, Du Bois rarely wrote about specific Black co-op practices, but his 1907 study, *Economic Co-operation Among Negro Americans*, provided a brief outline of a history of cooperative activity among Blacks and was full of examples. His 1940 autobiography and his speeches of the 1930s discussed the promise of cooperative economic practice and why it was important. Since Du Bois was also a founding editor of the NAACP's magazine the *Crisis*, I thought that that would be a good place to look for references to twentieth-century African American cooperatives. Indeed, the *Crisis* published twelve articles between 1914 and 1944 about African American–owned cooperatives. Other Black publications—the *Black World*, the *Messenger*, and *Phylon*—contained several more. The stories in the *Crisis* and these other periodicals led me to archives of Ella Jo Baker, executive director of the Young Negroes' Co-operative League in the early 1930s, where I found more information about African American–owned cooperatives. I also looked at the papers of Nannie Helen Burroughs and Fannie Lou Hamer, and the several archives housing the papers of A. Philip Randolph and the Brotherhood of Sleeping Car Porters and its Ladies' Auxiliary. I discovered the Federation of Southern Cooperatives/Land Assistance Fund and started attending its meetings and conferences, exploring its archives, and learning more about the Black rural cooperative economic movement. The Federation of Southern Cooperatives is the only existing organization of African American cooperatives (see chapter 9).

As my research progressed and I began to cast a wider net, discussing my findings with colleagues and seeking new leads, more and more people approached me with information about cooperatives they had heard of or that their families had been involved in. In what I can only describe as a snowball effect, friends, acquaintances, and other scholars referred me to others who knew about the Black co-op movement, offered to share material, or even wanted to help with my research. I also began reading the memoirs of Black activists for references to co-ops or cooperative economic strategies, which also proved to be quite fruitful. While I rarely found enough information to re-create the complete history of any one cooperative business, I found references and information about many African American–owned cooperatives—more than I had expected to find—that revealed a picture of cooperative ownership as an important economic strategy for African Americans. Once I started, it was impossible to stop. Each new discovery led to two or three more.

In addition, whenever I talked about my research, I met African Americans who suddenly recovered a memory or made a family connection to a cooperative, or discovered a connection with something they were trying to accomplish. During presentations and workshops on my research, faces would light up and memories of cooperative efforts would surface. More and more people approached me to say that they had suddenly realized that their parents, aunts, uncles, or grandparents had been involved in a cooperative venture, and that they now saw its significance in a new light. People from all over the country have sent me information and offers to help; even more people have asked me for information. This is a subject that not only resonates with people but never stops expanding. I finally had to establish some firm parameters for this volume, because otherwise I would never have finished it!

I connected the rich archival research I was undertaking with the economic analyses I was conducting about cooperative ownership and economic development. I read DeMarco 1974 and 1983, Stewart 1984, Shipp 1996 and 2000, Cotton 1992, Tabb 1970, Handy 1993, and Woods 1998 and 2007. Some of these works gave me ideas about alternative economic development theories and strategies; others provided more specific information about Black cooperative economic development. I was interested in cooperative economic development as a community economic development strategy, and my focus was on how cooperatives help subaltern populations gain economic independence, especially in the face of racial segregation, racial discrimination, and market failure. My colleague Melbah Smith told me early on that many of the urban challenges that could be solved by cooperatives were similar to the rural challenges, and so I broadened my focus to include community economic development rather than just urban revitalization. I made connections with Canadian scholars who study cooperatives as part of community economic development and as part of social and solidarity economies. I began to focus on worker-owned cooperatives and engaged in participatory action research in the U.S. worker co-op and larger cooperative movements. As a specialist in racial wealth inequality, I also began exploring ways in which cooperative ownership, particularly in worker cooperatives, is a strategy for community-based asset building, and I began to develop a concept of community wealth based on cooperative ownership and community assets.

The result is a book that focuses less on situating Black cooperative economics within one theory of Black political economy (as Haynes and I first attempted to do in our 1999 paper) and more on analyzing it as a theory and practice of economic development within a broad tradition of populism and economic justice.

Collective Courage is a historical study based largely on primary sources (newspaper, magazine, and journal articles; co-ops' articles of incorporation, annual meeting minutes, newsletters, budgets, and income statements; and cooperators' letters and papers, memoirs, and biographies). This study is also informed by scholarly secondary sources and relies on economic analysis of quantitative and qualitative data, theoretical analysis, and applied theory using historical and present-day case studies and applying modern theories to understand the effectiveness of particular practices and strategies. In addition, I provide some analysis of balance sheets, budgets, and stock values.

While my archival research proved it impossible to uncover full case-study narratives of most of the African American cooperative enterprises and organizations from the past, I was able to collect many case-study "snapshots" of cooperative activity among African Americans to illustrate the successes and challenges of Black cooperative enterprises. Much of this information comes from newspaper and journal articles about specific cooperatives, memoirs of cooperative developers, and archives of cooperative organizations and their directors.

In addition, I engaged in applied participatory community-based research. As a part of the U.S. cooperative movement and the African American cooperative movement, I have studied cooperative enterprises and economics in the United States and Canada, and have participated in developing cooperative organizations and conferences to promote cooperative education and development. These organizations bring co-op members and supporters together to exchange best practices, provide education and training, organize and participate in co-op study tours, promote cooperative development, and network. This has allowed me to meet with many people (practitioners and scholars) in the cooperative movements in the United States and Canada, to learn from their presentations, talk with their members, and visit some of their cooperatives. I am particularly involved in the growing U.S. worker cooperative movement, and I now specialize in worker cooperatives. My participatory community-based research involves co-op members, co-op leaders, and co-op developers who articulate social, cultural, and political as well as economic impacts, and identifies relevant indicators to measure traditional and nontraditional outcomes of cooperative ownership. In addition to gathering information from workshops, presentations, and conferences, I used existing case studies and annual reports to assess the impact and benefits of co-ops and to understand their mission and history. I also conducted informal interviews and conversations, particularly during my own workshops. I am a member of several cooperative research organizations and research efforts in the United States and internationally. All of these contacts and the access to this information have helped to inform this study.

This story of African American cooperative economic activity is told partly in chronological order and partly thematically. Themes such as economic independence, economic protection and stabilization in the face of discrimination and violence, women's roles, education and training, youth involvement, and community economic development are interwoven into a linear treatment of the development of African American cooperatives in the nineteenth and twentieth centuries. This is the first book-length work to connect the dots of African American cooperative endeavors.

A note on terminology. I use the terms *African American* and *Black* interchangeably, although I understand that there are nuanced differences between the two terms and how they are used. I also capitalize the word *Black* when I use it as a racial category. I use the word *cooperative*, no hyphen (as opposed to the short form, *co-op*, always hyphenated), except when quoting or referring to organizations that use the hyphen, as some of the cooperatives discussed in this book do, especially until the 1940s.

Organization of the Book

This book is divided into three parts. Part I, "Early African American Cooperative Roots," covers collective benevolence, grassroots economic organizing, cooperative agriculture, and union cooperative ownership through the early twentieth century. The specific, deliberate development (or attempts at development) of Rochdale cooperatives among African Americans is the subject of part II, "Deliberative Cooperative Economic Development," which covers Black co-op federations and agency-driven co-op development from about 1917 to 1975. Part III, "Twentieth-Century Practices, Twenty-First-Century Solutions," consists of two chapters that pull this history together and attempt to provide a guide for pursuing cooperative development in the twenty-first century.

Chapter 1, "Early Black Economic Cooperation: Intentional Communities, Communes, and Mutual Aid," analyzes the mutual-aid movement among African Americans and the development of communal societies. The mutual-aid movement involved a large proportion of the Black community and continued for centuries. I chronicle the myriad Black mutual-aid societies that sprang up during and after enslavement and examine their accomplishments, effectiveness, and the special role of African American women in founding and running them. Examples include the Independent Order of Saint Luke (Maryland and Virginia), the National Ex-Slave Mutual Relief, Bounty and Pension Association (Tennessee), founded by African American women, and the Free African Society (Pennsylvania). These early forms of collective ownership, buying in bulk, and charitable service were the precursors of mutual insurance companies, social service agencies, and joint-stock companies. They were also often the basis of early Black intentional communities. DeFilippis (2004) credits the Black "organized communities" of the nineteenth century as one of the most significant roots of the modern community-control movement. Chapter 1 thus highlights important elements of the early Black self-help communal settlements and intentional communities, both before and after the Civil War, that were often inspired by or part of the European and U.S. utopian commune movement. The contributions to this movement of African American abolitionists such as Sojourner Truth, David Ruggles, and Frederick Douglass are also noted.

Chapter 2, "From Economic Independence to Political Advocacy: Cooperation and the Nineteenth-Century Black Populist Movement," focuses on African American involvement in early populist movements for grassroots empowerment, particularly in rural areas of the United States after the Civil War. This chapter discusses the struggle for agricultural independence from sharecropping through cooperative ownership and African American economic solidarity, for example, in the Colored Farmers' National Alliance and Co-operative Union. The American populist movement was highly segregated. This chapter looks at African Americans' struggle to have a voice in that movement, to have their issues addressed, and to create agricultural, marketing, and industrial cooperatives through populist organizations and unions (such as the Knights of Labor and the Cooperative Workers of America) during the late nineteenth century.

Mutual insurance companies were the earliest cooperative-like incorporated businesses in the United States for both Blacks and Whites.[9] The Grand United Order of the True Reformers (Richmond, Virginia) and the Independent Order of Saint Luke (Richmond, Virginia) are examples of African American fraternal and mutual-aid societies that created mutual insurance companies. Their mutual insurance companies, such as North Carolina Mutual (Raleigh), stores, and banks are discussed in chapter 3, "Expanding the Tradition: Early African American–Owned 'Cooperative' Businesses." In addition, starting in the late nineteenth century, African Americans organized cooperatively owned and democratically governed enterprises that followed the "Rochdale Principles of Cooperation," first set out by the Rochdale

Society of Equitable Pioneers in Rochdale, England, in 1844 and adopted by the International Co-operative Alliance in 1895. Hope (1940) refers to these as Rochdale cooperatives, and I follow his tradition. The first such cooperatives were farm co-ops and cooperative marketing boards, consumer cooperative grocery stores, cooperative schools, and credit unions. The Mercantile Cooperative Company (Ruthville, Virginia) is the earliest detailed example I found of an African American Rochdale cooperative. Black capitalism was a strategy of racial economic solidarity and cooperation, as was Negro joint-stock ownership. This chapter looks at the businesses of the Universal Negro Improvement Association and Marcus Garvey's back-to-Africa movement in New York; the Chesapeake Marine Railway and Dry Dock Company and the Lexington Savings Bank in Baltimore; and the Coleman Manufacturing Company in Concord, North Carolina.

Chapter 4, "Strategy, Advocacy, and Practice: Black Study Circles and Co-op Education on the Front Lines," begins part II of this volume. This chapter documents the strategic importance of education to cooperative development and the sustainability of cooperatives. The study-circle strategy used by most African Americans in the early stages of starting a cooperative is highlighted, along with the importance of self-education as an economic resource in cooperatives. The Negro Cooperative Guild, though short-lived, was an early example of the deliberate use of a national study circle to inspire Black cooperative business development around the country. The variety of ways in which Black co-ops educate their members and communities, particularly about cooperative economics, democratic participation, and business development, are identified, with a focus on the education program of the Consumers' Cooperative Trading Company in Gary, Indiana, and the Ladies' Auxiliary to the Brotherhood of Sleeping Car Porters.

The Young Negroes' Co-operative League is the focus of chapter 5. The 1930s were an active time for cooperative development for both Blacks and Whites. The YNCL, founded in December 1930 by twenty-five or thirty African American youths in response to a call by George Schuyler (Schuyler 1930b, 1932, n.d.), first published in the *Pittsburgh Courier*, was strong in five cities by the early 1930s. Several cooperatives were developed through the league. The leadership of both Schuyler and Ella Baker (the league's executive director) was significant for different reasons, which are explored in this chapter.

In the 1930s, scholars and activists alike advocated the cooperative way and experimenting with co-op development. Chapter 6, "Out of Necessity: The Great Depression and 'Consumers' Cooperation Among Negroes,'" explores the accomplishments of African American cooperatives during the

Great Depression. This part of the history begins with the Colored Merchants Association of the National Negro Business League in 1927. Black involvement with the trade union movement also included support for and establishment of consumer cooperatives in particular. Du Bois and the YNCL were joined by A. Philip Randolph, writing in the *Black Worker*, in advocating consumer cooperatives among African Americans. I document the range of existing cooperatives in the 1930s and '40s, from YNCL-inspired co-ops in New York City, to the Consumers' Cooperative Trading Company in Gary, the Red Circle Cooperative in Richmond, and the Aberdeen Gardens Association in Hampton, to the People's Consumer Cooperative in Chicago and the Modern Co-op Grocery Store in Harlem.

Chapter 7, "Continuing the Legacy: Nannie Helen Burroughs, Halena Wilson, and the Role of Black Women," highlights the role of women in the cooperative movement, with a focus on Halena Wilson and the Ladies' Auxiliary to the Brotherhood of Sleeping Car Porters, and Nannie Helen Burroughs and Cooperative Industries in Washington, D.C. Women's roles in Black cooperative development have been strong throughout history, much like their role in the Black mutual-aid movement of the nineteenth century. In addition to early efforts by Black women, Estelle Witherspoon of Alabama (the Freedom Quilting Bee) and Fannie Lou Hamer of Mississippi (Freedom Farm) were leaders of the cooperative movement in their communities in the 1960s and 1970s. The BSCP's Ladies' Auxiliary and its international president, Halena Wilson, promoted consumers' cooperation. That case study provides many insights into the Black cooperative movement, its strengths and challenges, its champions, and its relationships to organized labor and the broader cooperative movement in the United States.

There are also rural examples of African American cooperative development in the early twentieth century. Many small farmers, particularly National Farmers Union members, turned to radical action during the Depression years. The activities of the National Federation of Colored Farmers are chronicled in chapter 8, "Black Rural Cooperative Activity in the Early to Mid-Twentieth Century." The chapter also examines the organization of the Eastern Carolina Council as well as the North Carolina Council for Credit Unions and Associates.

Founded in 1967, the Federation of Southern Cooperatives has supported cooperative economic development as a way to support and sustain Black farmer ownership and control, the economic viability of farm businesses (especially small, sustainable, and organic farming), and stewardship of African American land and natural resources in rural low-income communities. The early story of the FSC is also the history of the Southwest

Alabama Farmers' Cooperative Association and the Southern Cooperative Development Fund. After merging with the Land Emergency Fund, the organization became the Federation of Southern Cooperatives/Land Assistance Fund. The FSC/LAF is a network of rural cooperatives, credit unions, and state associations of cooperatives and cooperative development centers in the southern United States. Chapter 9, "The Federation of Southern Cooperatives: The Legacy Lives On," begins part III of this book and includes examples of cooperatives in the federation such as the Freedom Quilting Bee and the North Bolivar County Farm Cooperative. The organization has an important reach throughout the South, is the heart of the present-day African American cooperative movement, and is connected to the larger U.S. cooperative movement.

Cooperation is a deliberate and necessary expansion of in-group solidarity and cohesion. Chapter 10, "Economic Solidarity in the African American Cooperative Movement: Connections, Cohesiveness, and Leadership Development," traces group solidarity in African American cooperatives through civil rights activities, worker solidarity and leadership development in general, and women's and youth leadership in particular. Cooperative economic development is also a strategy to engage youths of color in school and community economic development. I analyze programs that involve African American students in community economic development and cooperative business development, such as Food from the 'Hood, and Toxic Soil Busters. While not yet fully achieved, the history of African American cooperative ownership demonstrates that Black Americans have been successful in creating and maintaining collective and cooperatively owned enterprises that not only provided economic stability but also developed many types of human and social capital and economic independence.

The Larger Project

This book is just the beginning of a theoretical analysis of African American cooperative economic development. I focus here on the first part of this journey—finding and documenting Black-owned co-ops in the United States and understanding their achievements and challenges, as well as the philosophy and strategy that African Americans used to foster and develop co-ops. I examine the big picture of co-op movements among African Americans and their organizations and leaders. I focus on the national organizations, the philosophy and strategy behind cooperative economic development, and its broad impacts. I show that cooperative economic thought was integral to most of the major African American leaders, thinkers, and organizations of the past two centuries.

In researching this book, I learned that almost all African American leaders were involved in Black co-ops in some manner: they either promoted or engaged in the practice of cooperative ownership, particularly in their early careers or as part of their vision for a prosperous future without discrimination. In many ways, this cooperative history is also a retelling of African American history in general—a reconstructing of African American history through the lens of the Black cooperative movement. Many of the players are the same. Many of the great African American thinkers, movers, and shakers were also leaders in the Black cooperative movement. That part of their history and thought, however, has been mostly left out, ignored until now. Adding the cooperative movement revitalizes the telling of the African American experience and increases our understanding of African American agency and political economic organizing. This study answers the question of whether African Americans have a cooperative tradition with a resounding *yes.*

Economic participation in cooperatives increases the capacity to engage in civic and political participation and leadership development. Cooperatives also increase women's economic participation, control over resources, and economic stability, with important implications. Cooperatives were used heavily during the Great Depression, contributing to community revitalization and saving struggling communities. In fact, the 1930s appear to mark the height of African American cooperative economic activity in the United States. With unemployment and poverty high, and services curtailed or unavailable, African Americans struggled to feed their families. They chose cooperative economics as a solution. Throughout history, especially in trying times, African Americans chose cooperation and often had good results. The current Great Recession has been the second-worst economic crisis in U.S. history. These are times in which many Black communities exist under conditions of high unemployment, deep poverty, and homelessness. Many who had assets were stripped of them. The cooperative solution is one that has addressed these same conditions throughout history. Cooperative ownership helps address the challenges of capitalism, marginalization in labor, capital, and product markets, and the lack of adequate, affordable, quality services. Current conditions require alternative strategies. Cooperatives are again a solution.