

"The word 'pathbreaking' should not be used casually, but this is, in fact, a pathbreaking book. There is nothing like it. Jessica Gordon Nembhard's study of Black cooperatives opens a door on a critical aspect of Black history in general and cooperative history in particular—a door very hard to open, given the challenges and difficulties with records and sources. What she has found behind the door is subjected to inspiring yet tough-minded analysis. The long trajectory of development Gordon Nembhard describes and the direction she illuminates offer profoundly important guidance as we enter an era of increasingly difficult economic and political challenges."

—Gar Alperovitz, Lionel R. Bauman Professor of Political Economy, University of Maryland, author of *What Then Must We Do? Straight Talk About the Next American Revolution*

"In her inspiring book *Collective Courage*, Jessica Gordon Nembhard has compiled the most complete history to date of the cooperative economic struggles of African Americans from early times until now. Following in the profound footsteps of W. E. B. Du Bois, she has illuminated the historical roots of African American economic cooperation and thus made a vital contribution to the knowledge so badly needed today for African Americans and all people to come together in mutual aid and, by their common efforts, rise above all economic obstacles."

—John Curl, author of *For All the People*

"Though the cooperative movement in the United States is one of the largest in the world, it is routinely ignored or marginalized by observers, particularly in the academic world. This book, based on years of multidimensional research in many sources by Jessica Gordon Nembhard, fills a particularly glaring gap in our understanding of that movement. It carefully documents how many African Americans have explored the cooperative option over the years, in the process making a major contribution to the fields of cooperative studies and African American studies."

—Ian MacPherson, University of Victoria

"The originality of this book is substantial. I am unaware of any similar work. This volume shows that Gordon Nembhard is a leading scholar on the role of cooperative economic development activities among African Americans. This well-organized text will be useful to general interest readers, undergraduate and graduate students, policy makers, and practitioners."

—Patrick Mason, Florida State University

In *Collective Courage*, Jessica Gordon Nembhard chronicles African American cooperative business ownership and its place in the movements for Black civil rights and economic equality. Not since W. E. B. Du Bois's 1907 *Economic Co-operation Among Negro Americans* has there been a full-length, nationwide study of African American cooperatives. *Collective Courage* extends that story into the twenty-first century. Many of the players are well known in the history of the African American experience: the Bois, A. Philip Randolph, and the Ladies' Auxiliary to the Brotherhood of Sleeping Car Porters; Nannie Helen Burroughs; Fannie Lou Hamer; Ella Jo Baker; George Schuyler and the Young Negroes' Co-operative League; the Nation of Islam; and the Black Panther Party. Adding the cooperative movement to Black history results in a retelling of the African American experience, with an increased understanding of African American collective economic activity and grassroots economic organizing.

To tell the story, Gordon Nembhard uses a variety of newspapers, period magazines, and journals; newspaper articles of incorporation, minutes from annual meetings, newsletters, budgets, and income statements; and scholarly books, memoirs, and biographies. These sources reveal the achievements and challenges of Black co-ops, collective economic action, and social entrepreneurship. Gordon Nembhard finds that African Americans, as well as other people of color and low-income people, have benefited greatly from cooperative ownership and democratic economic participation throughout the nation's history.

Jessica Gordon Nembhard is Associate Professor of Community Justice and Social Economic Development in the Department of Africana Studies at John Jay College, City University of New York.

The Pennsylvania State University Press  
University Park, Pennsylvania  
[www.psupress.org](http://www.psupress.org)



GORDON NEMBHARD

COLLECTIVE  
COURAGE

A HISTORY OF AFRICAN AMERICAN COOPERATIVE  
ECONOMIC THOUGHT AND PRACTICE

PENN  
STATE  
PRESS

JESSICA GORDON NEMBHARD

COLLECTIVE



COURAGE

A HISTORY OF  
AFRICAN AMERICAN  
COOPERATIVE  
ECONOMIC THOUGHT  
AND PRACTICE

2004a, 2004b, 2005, 2006a, 2006b, 2008a, 2008b, 2008c, 2008d, 2010, 2011; Gordon Nembhard and Haynes 2002; and Haynes and Gordon Nembhard 1999. In particular, I acknowledge the permission of the *Review of International Co-operation* (Gordon Nembhard 2004b) to reprint table 9.1 and portions of the early version of the case study of the Federation of Southern Cooperatives/Land Assistance Fund in chapter 9; and of Palgrave Macmillan to reprint table 1 (included in revised form as table 10.1 in this volume) and content in Gordon Nembhard 2006a.

## 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 benefited 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).<sup>1</sup> 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).<sup>2</sup> 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.<sup>3</sup> 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.

## *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 "Micro-finance 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.”<sup>5</sup>

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).<sup>6</sup> 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,<sup>7</sup> combined with Hogan's theory of Black self-help and the model of Mondragon Cooperative Corporation among the Basque people in northern Spain,<sup>8</sup> 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.