

# **Cooperative Ownership in the Struggle for African American Economic Empowerment**

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## Reflection Statement:

I am a political economist. I specialize in “democratic community economics.” I study people-centered local economic development that is community-based and controlled, collaborative, democratically (or at least broadly) owned and governed through a variety of structures. These structures include worker, producer and consumer owned cooperatives; community land trusts; democratic ESOPs (Employee Stock Ownership Programs) and other forms of worker ownership and self-management. Also included are collective not-for-profit organizations; municipally owned enterprises; community development financial institutions and credit unions; community-controlled community development corporations, and community-controlled development planning. My analysis includes the theoretical and applied study of how and why such alternative structures are economically viable and sustainable, the public policies that are supportive of such development, and ways to document and measure their traditional and non-traditional economic, social and political outcomes and impacts.

Much of my research on alternative democratic community-based economic development focuses on how to bring economic empowerment and prosperity to underdeveloped, marginalized and underserved communities, particularly communities of color suffering from institutional racism and economic inequality. I also focus on how to measure the effectiveness of such strategies, particularly as they address structural inequality. I am beginning to formulate a concept I term “subaltern cooperative economic development” to describe the process and strategy through which members of subaltern populations (communities economically marginalized and culturally subordinate to a dominant class or material group) use strong group identity and concern for community to develop productive, collaborative, cooperative economic enterprises.

I have begun a project to study, theorize and write about African American participation in and design of alternative democratic economic strategies, and am working on a book tentatively entitled “African American Cooperative Economic Thought and Practice.” I am in the process of discovering, documenting, and analyzing African American cooperative economic, political and social thought from scholars and activists about the strengths and weaknesses of cooperative ownership for economic and social advancement. My focus is on how African American scholars and activists over the past 300 years view cooperative economics, and to analyze cooperative enterprise development as a strategy for African Americans - particularly as a mechanism to control their own income and wealth generation through economic forms that reflect their social and economic values and delivery benefits broadly. I begin with the work of W.E.B. Du Bois who argued that African Americans should be at the forefront of the innovation and practice of new industrial organizations that would be democratic and empowering. In 1907 he documented the myriad cooperative economic efforts of Blacks in the United States. The second purpose of my book is to update that study. I have begun to document African American cooperative enterprises, particularly urban businesses, and to investigate into their viability, the processes that have gone into their development and sustainability, any innovations utilized or developed, and individual cooperative’s impact on both members and the surrounding community.

“Cooperative Ownership in the Struggle for African American Economic Empowerment” is a part of this larger project. In this article I highlight several African American cooperatives particularly as a part of a broad urban democratic economic development strategy. I discuss what is known about their development and successes (and/or failures), and begin to delineate lessons learned from these efforts.

## **Cooperative Ownership in the Struggle for African American Economic Empowerment**

- Jessica Gordon Nembhard

The Conference regards the economic development of the Negro American at present as in a critical state. The crisis arises not so much because of idleness or even lack of skill as by reason of the fact that they unwittingly stand hesitating at the cross roads - one way leading to the old trodden ways of grasping fierce individualistic competition ... the other way leading to co-operation in capital and labor, the massing of small savings, the wide distribution of capital and more general equality of wealth and comfort.

-Resolutions of the 12<sup>th</sup> Annual Atlantic Conference May 28, 1907 (Du Bois, 1907: 4).

It is the opinion of the writer, based on several years of study of co-operation and having sat in two of the National Co-operative Congresses, that co-operation offers great promise of being the solution for the economic riddle confronting the Negro, just as it has been a way out for other oppressed groups for over three-quarters of a century.

- (Matney, 1930: 49)

The economic basis of African life was originally cooperative. ... [C]ooperation was one of nature's more important schemes for survival.

-(Williams, 1961: 151)

I still believe that black people in the United States could lift the burden of economic exploitation from their backs by organizing a nationwide system of cooperative businesses through which they could produce and distribute to themselves and others, such consumer needs as food, clothing, household goods and credit. Such a system would include ... credit unions, ... consumer cooperative retail stores, ... producer cooperatives.

- (Reddix, 1974: 119)

African Americans have a long and strong history of cooperative ownership, especially in reaction to market failures and economic racial discrimination. However, it has often been a hidden history and one thwarted by racism and white supremacist violence.<sup>1</sup> Several African American scholars and leaders have advocated for economic cooperation as an important strategy for Black economic development and increased quality of life. Some leaders have actually practiced cooperative economics in their communities. Although all of them are well known for achievements in other areas (and not for their involvement in the cooperative movement), examples include scholar/activist William E.B. Du Bois (1907, 1933, 1975); activist Marcus Garvey (Shipp, 1996: 87-88); businesswoman Nannie H. Burroughs (Hope, 1940: 46); activist and organizer Ella Jo Baker (Grant, 1998: 30-36; Ransby, 2003:75-90; and Cohen, 2003: 10-13); writer, journalist and satirist George Schuyler (Schuyler, 1930 and 1932; Calvin, 1931; Ransby, 2003: 80-90; and Cohen, 2003:10-13); historian E. Franklin Frazier (1923: 228-229); former Jackson State College (now University) President Jacob Reddix (1974: 117-121); and Black labor leader and organizer A. Philip Randolph, and the Ladies Auxiliary of the Brotherhood of Sleeping Car Porters, (Cohen, 2003: 9). Maulana Karenga (1989) included both

Ujima - the collective work and responsibility of African Americans toward their community- and Ujamaa -cooperative economics- in addition to self-determination among the seven Kwanzaa principles.<sup>2</sup> Throughout his life, Du Bois argued that African Americans must become the masters of their own economic destiny, and advocated using “intelligent [consumer economic] cooperation” as an important approach. He advanced the concept and strategy of “racial economic cooperation” combining cooperative industries and services in a “group economy,” through which African Americans could gain control over their economic lives, and assert themselves as equals into, even leaders in, the mainstream economy.<sup>3</sup> Schuyler advocated similarly, “As I have pointed out again and again ... there is only one thing that can immediately get the Negro group out of the barrel and that is consumers’ cooperation, the building up of a Negro co-operative democracy within the shell of our present capitalist system of production and distribution” (1930: 9). He called on African American youth to lead the movement (Schuyler, 1930 and 1932; and Calvin 1931)). Matney (1930) similarly was articulate about how cooperatives offer a solution to “the economic riddle confronting the Negro” (p. 49). Several decades later, Reddix (1974) also concluded that a “nationwide system of [African American] cooperative businesses” “could lift the burden of economic exploitation” from the backs of African Americans (p. 119).

This article explores the use of cooperative enterprises for African American economic development and empowerment. I begin by briefly summarizing the economic condition of African Americans, which inspires the search for alternative economic development strategies and a variety of economic options. I provide a sample of the thinking of African American scholars and activists about the use of cooperatives as a strategy for increased economic empowerment. The next section explores cooperative businesses as an urban economic development strategy and highlights examples of African American cooperatives (mostly urban and business cooperatives<sup>4</sup>) and federations. I end by summarizing recurrent themes that emerge from these examples and a preliminary research agenda.

## **The Problem, and Alternative Solutions**

African American economic conditions continue to lag behind mainstream populations, particularly European Americans. A disproportionate number of Africans are poor and impoverished or ‘one paycheck away’ from poverty even during relatively prosperous times. For many workers of color, in particular, the last 25 years have been a history of lost jobs, low wages and disproportionate displacement (see Darity and Mason, 1998, for example). In addition to the well-known income gap, a large wealth gap persists between African Americans and white Americans, even at the same educational, income, and/or occupational levels (see Kunjafu, 2002; and Oliver and Shapiro, 1997). For every dollar of wealth white Americans hold as a group, for example, African Americans have only 16 cents.<sup>5</sup> The shortcomings of the economic ‘boom’ in the U.S. in the late 1990s show that modest gains were finally made for most in the last four years of the boom, but trends in inequality continued and wealth inequality actually worsened. The downturn that then ushered in the 21<sup>st</sup> century has been typical - hitting the least able to sustain it the hardest, particularly with rising unemployment and poverty. Poverty, job insecurity, cut backs in social programs and economic discrimination resurfaced - reminding us that the basic issues of the inefficiency of the market and discrimination in the marketplace continue.

The limitations of the so-called ‘new economy’ illustrate the failures of traditional economic strategies. Most traditional economic models address the needs of an élite but leave the rest behind. Traditional economic development strategies or mainstream economic institutions have not adequately served low-income communities. Fairbairn, et. al., for example, argue that “Conventional development, which provides limited encouragement to conventional entrepreneurs, is ill-suited to helping communities who are victimized by the operations of national and global markets” (1991: 11). In 1994 The United Nations Development Program summarized the need for a new economic development paradigm:

To address the growing challenge of human security, a new development paradigm is needed that puts people at the center of development, regards economic growth as a means and not an end, protects the life opportunities of future generations as well as the present generations and respects the natural systems on which all life depends.  
... A major restructuring of the world’s income distribution, production and consumption patterns may therefore be a necessary precondition for any viable strategy for sustainable human development.

Community-based economic development efforts are often established to meet the needs of marginalized and/or underserved communities and populations. Haynes and Nembhard (1999) 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.” Fairbairn, et. al. (1991: 1) 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.

Cooperative enterprises combine the productive activity and commitment of members with their shared resources to produce competitive businesses that benefit members and their communities. Cooperatives have been used throughout history to meet people’s economic needs. In both rural and urban settings cooperatives promote control over income and wealth, economic anchoring and security, consumer education and on-the-job training, improved worker-management relations, leadership development, and reduce costs. Worker ownership in particular increases control over work rules, increases productivity, and provides living wages, benefits, meaningful work, education and training, opportunities for advancement, and wealth accumulation. In addition, more research is finding that cooperative ownership can and has been used to aid in poverty reduction, particularly when used as part of a self-determination strategy (see Birchall, 2003).

A strong argument can be made and is beginning to be articulated for increased cooperative development as a community economic development strategy. Cooperatives now exist in a variety of sectors: farming and marketing, utilities and telecommunications, grocery, baking, auto and bicycle repair, printing and copying, child care, home health care, medical services, house cleaning, sewing, catering, temporary services, as well as credit and housing, for example. Cooperatives in many sectors, particularly worker-owned co-ops, lead their industries in wages and benefits, production, flexibility and innovation, and self-management and “labor”-management inter-cooperation. Fairbairn, et. al. (1991) find that “Cooperatives and community-oriented enterprises have a role to play in generating new economic activity in their local communities (41),” and show how cooperatives use capital for local purposes, and reinvest or redistribute the accumulated surpluses back into the original community.

There have been many proposals for strategies or a movement to focus African American economic development around African American interests and needs, including Black capitalism, “Buy Black” campaigns, the separation of “Black Belt” states, the “Back to Africa” movement, the Black Panther “survival programs pending political revolution” and the Black cooperative movement. In the early 20<sup>th</sup> century a few African American scholars wrote about using cooperatives as a strategy. In addition to Du Bois (who promoted the use of cooperatives in his own writings and in the pages of the NAACP organ that he edited, the *Crisis*), Schuyler, Matney, and Reddix, among others, Frazier (1923) suggests that cooperative marketing societies, cooperative supply associations and credit unions are important enterprises for African Americans. He argues that cooperative education and leadership are necessary to promote such developments and to “liberate the Negro from the present share crop system of farming” (229). Similarly, Crump (1941), after explaining and describing what cooperatives are and how many there are in the country, discusses the need for more education. “People have to be educated away from old habits of buying and into new habits of recognizing true value” (319). She finds that this lack of education helps explain why more African Americans do not use co-ops as part of a movement to help “keep profits at home.”

Matney (1930), in a four part series in the *Crisis Magazine*, sets out the economic situation for African Americans in the late 1920s, the successes of cooperatives, and a plan of action for their adoption in Black communities (49). He suggests a “period of education” to study the history, accomplishment and possibilities of cooperative businesses, the relation of the cooperative movement to other movements for human betterment, the creation of consumer consciousness; and education in business theory and practice, and cooperative business methods. He also suggests that an economic, religious and social appeal be developed, and a research and publicity bureau created to provide a clearinghouse of information, give advice for startups and technical assistance to cooperative businesses. He also emphasizes the need to “standardize methods.”

In the process of galvanizing support for cooperative development, Schuyler issued a call in an open letter (a four page circular) in early 1930. He particularly called on young Blacks – “Young Negroes!” – to save the race through cooperative economics (see Schuyler, 1930; Calvin, 1931; and Ransby, 2003: 82). Schuyler explains in his column in the *Pittsburgh Courier*:

What I am trying to get together 5,000 young people for is to study this only means of economic salvation and carry the message to all corners of Negro America. ... The Negro ... is in a worse position than the masses of white workers, actually with his back to the wall, and so he must work faster in developing this Negro co-operative democracy if he is to survive. ... Whereas the Socialists hope to usher in such a Utopia society by the ballot and the Communists hope to turn the trick with the bullet, the co-operator ... is slowly and methodically doing so through legal, intelligent economic co-operation or mutual aid (1930: 9).

Ransby suggests that “the idea of forming black consumer cooperatives as a strategy to combat the economic devastation being wreaked by the depression and to educate black people about socialism galvanized the group of intellectuals and activists that gathered around Schuyler” (82). This group organized the Young Negroes’ Co-operative League (more below). Ransby summarizes: “Baker and her idealistic young comrades hoped [to] demonstrate on a small scale the efficiency of collective economic planning and simultaneously promote the values of interdependency, group decision making, and the sharing of resources” (86). According to Ransby, from Baker’s perspective

The cooperative movement offered organizers a way of working with people on a protracted, day-to-day basis. The process of setting up co-ops, establishing common priorities for those involved, solidifying democratic methods of decision making, and building communications networks encouraged people at the grassroots to engage in social change and transformation, changing themselves, each other, and the world around them simultaneously. Unlike such singular events as voting on election day or attending a political rally, involvement in cooperatives and buying clubs enabled people to redefine the ways in which they related to neighbors, friends, and co-workers (p. 90).

In 1907 Du Bois documented the existence of 154 African American-owned cooperatives: 14 “producer cooperatives”; three “transportation cooperatives”; 103 “distribution or consumer cooperatives,” and 34 “real estate and credit cooperatives”; in addition to hundreds of mutual aid societies and cooperative projects through religious and benevolence institutions, beneficial and insurance societies, secret societies, schools, and financial institutions (Du Bois, 1907). Du Bois summarizes his views in a speech presented at the Rosenwald Economic Conference in 1933:

... I propose as the next step, which the American Negro can give to the world a new and unique gift. We have tried song and laughter and with rare good humor a bit condescending the world has received it; we have given the world work, hard, backbreaking labor and the world has let black John Henry die breaking his heart to beat the machine. It is now our business to give the world an example of intelligent cooperation so that when the new industrial commonwealth comes we can go into it as an experienced people and not again be left on the outside as mere beggars.

... if leading the way as intelligent cooperating consumers, we rid ourselves of the ideas

of a price system and become pioneer servants of the common good, we can enter the new city as men(sic) and not mules (Du Bois, 1933: 162-163).<sup>6</sup>

There were African American owned cooperatives in the 19<sup>th</sup> century, many examples of African American cooperatives throughout the decades of the 20<sup>th</sup> century, particularly in the 1930s, and efforts have continued on into the 21<sup>st</sup> century.

## **Cooperatives and Urban Economic Development**

Cooperative development helps to address underdevelopment and isolation in inner cities. Many inner-city challenges lend themselves to cooperative solutions. Resident ownership and individual and community entrepreneurship address issues of the export of capital and industry from cities, to suburbs and overseas. Credit unions and pooling of capital help to address the lack of banking services, redlining, and predatory lending in urban areas. Employee ownership (and some Employee Stock Ownership Plans (ESOPS)) create and save decent, meaningful jobs, and promote workplace democracy, income generation and wealth accumulation. Many recent inner-city worker-owned cooperatives lead their industries in providing living wages, often with health and vacation benefits, job stability and mobility, training, and self-management. Cooperative home ownership and Community Land Trusts address lack of affordable housing, skyrocketing property values, and abandoned properties as well as increasing community control of land, and home ownership. Cooperative ownership also helps to address skills mismatches, lack of appropriate skills, and poor quality of education in inner cities because cooperatives have a strong education mission and record. Cooperatives build capacity among members, continuously educate and train their members to fulfill the needed expertise, and increase members' own growth and contribution to the enterprise.

### **The Chesapeake Marine Railway and Dry Dock Company**

Between 1865 and 1883, African American caulkers and stevedores owned their own cooperative, the Chesapeake Marine Railway and Dry Dock Company in Baltimore, Maryland. According to Du Bois' (1907: 152-153) account, they organized in part to combat the growing sentiment among white laborers in Maryland that all free Blacks be fired from the shipyards and leave the state or "get a master." Baltimore had become famous for its caulking, but it was the Black caulkers who "were the most proficient in the state." Ship yard owners were not willing to reduce their Black workforce until white mobs attacked Black caulkers and stevedores on their way home and white carpenters boycotted ship yards with African American caulkers. A group of Black men decided they needed to own their own shipyard, protect and secure jobs for themselves.

The cooperative was quite successful. The Chesapeake Marine Railway cooperative bought the property that included the spot where Frederick Douglas described sitting on a cellar door to study a stolen spelling book to teach himself how to read. The founders raised \$40,000 selling 8,000 shares at \$5 per share. They paid off their \$30,000 mortgage in 5 years and employed from 100-200 Black and white people per year. By the 6<sup>th</sup> year they paid members a stock dividend (totaling \$14,000). In the 7<sup>th</sup> year they paid out a dividend of ten percent to members; and for four years after that paid dividends of between four and ten percent per year.



The company went out of business in the 18<sup>th</sup> year in part because of repair problems, some changes in the industry, and management issues, but also because of “the refusal of the owners of the ground to release the yard to the colored company except at an enormous rate of increase” (Du Bois, 1907: 153). The ground rent was doubled. The cooperative went out of business soon after (also see [www.mdarchives.state.md.us/msa/stagser/s1259/121/6050/html/cmrdc.html](http://www.mdarchives.state.md.us/msa/stagser/s1259/121/6050/html/cmrdc.html)).

The significance of this cooperative is many fold. The existence and success of the Chesapeake Marine Railway and Dry Dock Company showed that African Americans could successfully use cooperative ownership in the face of racial oppression and ostracism, particularly to save jobs, create jobs, and accumulate wealth. It showed that African Americans could run a substantial industrial enterprise at a profit; and it changed the nature of industrial relations in the state. Du Bois enumerates that even after the demise of the company:

The organization of the ship company saved the colored caulkers, for they are now members of the white caulker’s union. The failure of the whites in driving out the colored caulkers put an end to their efforts to drive colored labor out of other fields. And although the company failed, it must surely have been an object lesson to the whites as well as to the blacks of the power and capability of the colored people in their industrial development (153).

#### Citizens’ Cooperative Stores

After attending a meeting called by Du Bois in August 1918 to discuss ways to spread the adoption of cooperatives among African Americans, a “Mr. Ruddy” returned home to Memphis and organized a study group (The Editor, 1919). In February 1919, the group incorporated as the Citizens’ Co-operative Stores to operate cooperative meat markets. They raised more equity than expected, selling double the amount of the original shares they offered. Members were able to buy shares in installments and no one could own more than ten shares. By August 1919, five stores were in operation serving about 75,000 people. The members of the local guilds associated with each store met monthly to study cooperatives and discuss any issues. According to the account, the Cooperative planned to own its own buildings and a cooperative warehouse. The editor of the *Crisis Magazine* (presumably Du Bois himself) who reported this, notes that:

The good results of co-operation among colored people do not lie alone in the return of savings. They show, also, new opportunities for the earning of a livelihood and in the chance offered our colored youth to become acquainted with business methods. ... [They hire members of the community.] Thus, in a larger and different sense, we have another form of co-operation. Colored people are furnishing their own with work and money for services received and the recipients are handing the money back for re-distribution to the original colored sources (The Editor, 1919: 50).

This is an example of how advocacy, public education, and self-education work to promote cooperative development in the Black community. It also illustrates ways to make a cooperative in a low income community affordable (shares can be bought in installments), and ways that a cooperative business impacts its own community by hiring local residents and

allowing money to re-circulate among all the participants. This is clearly an recurring issue particularly in inner cities.

#### The Cooperative Society of Bluefield Colored Institute

The Commercial Department of the Bluefield Colored Institute in Bluefield, West Virginia, formed a student cooperative store probably in 1925 (Sims, 1925). The store's mission was to sell supplies the students and school needed and be a "commercial laboratory for the application of business theory and practice" (Sims: 93). A share of stock sold in the Co-operative Society for less than \$1. After two years in business the cooperative paid all its debts and owned its own equipment and inventories (Matney, 1927). The store began to pay dividends of ten percent on purchases made. The student members voted to use profits to pay for scholarships to the Secondary School and Junior College (see Sims, 1925, and Matney, 1927). Nine scholarships were given by July 1927. Members of this cooperative were the first African Americans to attend the National Cooperative Congress, when they attended the one in Minneapolis in 1926 (Matney). They became members of the Co-operative League of America in 1925.

Again, education and training become important initial and ongoing integral aspects of cooperative development. Not only does the cooperative educate members about cooperative ownership and business development, but also profits from the business are used to send members for higher education degrees. Affordability continues to be a goal – share in the business are low in price. In addition, the importance of and the documentation of profitability and solvency - i.e., viability of these economic endeavors- is apparent. Finally, this example also provides insight into how African American cooperatives asserted themselves into the wider national cooperative movement by joining the national association and attending national conferences.

#### Consumers' Cooperative Trading Company

In the fall of 1932 Gary, Indiana, was ravaged by the depression, the steel mills were closed and only one bank remained (and later also closed). Jacob Reddix held a meeting in Roosevelt High School, which led to the formation of Gary's Consumers Cooperative Trading Company (Hope, 1940 and Reddix, 1974). Starting with a buying club, the Trading Company came to operate a main grocery store, a branch store, a filling station and a credit union. By 1934 there were over 400 members and seven full time employees in the grocery store. The Credit Union was organized in November 1934. By February 1936, it had over 100 members and several hundred dollars on deposit (Hope: 41). The first dividend of two percent on shares of stock owned was paid to members in December 1935 (Hope: 41). In 1936, sales for the organization were at \$160,000 and the company was considered to be "the largest grocery business operated by Negroes in the United States" (Reddix: 119). The Cooperative Trading Company supported a young people's branch that operated its own ice-cream parlor and candy store.

Reddix is quoted as saying that the "most important single factor" in their progress "has been our education program" (Hope: 40). They held weekly educational meetings for 18 months before opening any of the businesses. In 1933 they instituted a cooperative economic course in Roosevelt High School's evening school. By 1936 it was the largest academic class in the school

(Hope: 41). The Education Committee published a five-year plan for “Uplifting the Social and Economic Status of the Negro in Gary” in 1934.

Again, many of the same themes, missions and goals are mirrored in this example. Every organization found education to be one of the most important elements in the endeavor. The Gary cooperative actually integrated cooperative education into the high school curriculum. This cooperative society was responding to a need in the community, particularly an economic need. The Gary cooperative also went further than most by establishing a Credit Union as one of its cooperatives -to both provide financial services and help members save- and institutionalizing its education program in the High School. Similar to the others, this cooperative also saw the equal inclusion of youth as important.

#### Modern Co-op Grocery Store

Modern Co-op in Harlem, New York City, boasted to be the first “Negro cooperative grocery store operated according to the Rochdale principles in the northeastern area” (Crump, 1941: 319). Twenty “mostly middle class” African Americans came together to increase the quality and decrease the cost of their groceries. They researched the business and how to become a distributor of the Co-op label (through Eastern Cooperative Wholesale). They started with a buying club. Each member put in \$5.00. They operated out of a member’s basement. In April 1941, they began to raise capital for a retail store. The minimum investment per family was set at \$15.00, with about 100 members. The store opened May 31, 1941. By the first summer, average weekly revenues were about \$300, and the enterprise was capitalized at \$50,000. Members received a patronage-rebate rather than a dividend (though it was suspended in the first years until profits were regularized). From 30-40 percent of Modern’s customers were non-members. Education was important to the members (Crump: 330). Crump impresses the point that the President of the Board of Directors was a “housewife.”<sup>7</sup>

The importance of education, particularly self-education about cooperative economics again is important in the development and maintenance of this cooperative. How to make cooperatives a more widely utilized strategy is also a goal. Black women’s roles in this movement also emerge in from this example. Modern Co-op is also an example of building from small to large.

#### Freedom Quilting Bee

The Freedom Quilting Bee, a handicraft cooperative in Alberta, AL, is a charter member of the Federation of Southern Cooperatives/Land Assistance Fund. It was established in 1966 because the women in sharecropping families needed more and more stable income. The women began selling quilts and using other entrepreneurial strategies after many of their families lost the plots they were sharecropping because of their Civil Rights activities.<sup>8</sup> It is a cooperative, democratically owned non-agricultural business developed, owned and managed by African Americans in response to discrimination and lack of economic opportunity. The cooperative bought 23 acres in 1968 to build the sewing plant and also to sell land to sharecropping families who had been evicted from their homes (Freedom Quilting Bee, 2002). At one point the cooperative, the largest employer in the town, had 150 members. By 1992 the cooperative owned a day care center, 23 acres of land, a sewing plant; and operated an after school tutoring program

and a summer reading program (FSC/LAF, 1992).

At a time when the political climate severely reduced economic options for African Americans in the south, through this cooperative members were able to augment their family's income and save their farms and land, and/or create alternative sustainable economic activity.<sup>9</sup> This is also an example of Black women's leadership, which lead to economic empowerment and community empowerment. The cooperative continues to exist today, after thirty-seven years.<sup>10</sup>

#### Apex Cab Cooperative

The Apex Cab Cooperative in Milwaukee, Wisconsin, began in January 1973 and closed at the end of 1974. Although it had a short history it showed that cab ownership was viable for African Americans.<sup>11</sup> (Washington, DC also had an African American owned cooperative cab company for several years.) The company bought thirty new cabs at start up. One of the company's competitive advantages was that the drivers were willing to take passengers to any part of the city (unlike the white cab companies). After 18 months of relatively successful operation, they could not afford the high insurance premium. The cooperative went out of business soon after dropping the group insurance, even though some of the taxi drivers paid their own insurance premiums. Here a viable concept is thwarted by the inability to obtain affordable financial services. More research needs to be done to help us better understand the nature and circumstances of the failure.

#### Cooperative Home Care Associates

Cooperative Home Care Associates (CHCA) is a worker-owned home health care cooperative in the South Bronx, New York, started by a "social service agency to create decent jobs and provide needed services in an impoverished community" in 1985.<sup>12</sup> It employs more than 550 African American and Latina women, seventy-five percent of whom had previously been dependent on public assistance, as home care paraprofessionals. Since 1987 worker-owners have earned annual dividends on their initial investment (often between twenty-five and fifty percent). The co-op maximizes wages and benefits for members, providing paid vacations and health insurance, and stable employment – all unprecedented in this sector. Throughout its existence average employee turnover has also been significantly below the industry average, and education and training above the average. CHCA does careful screening of potential employees/owners, offers training and career advancement programs, and promotes self-management. The company has spun off a training and development institute, Paraprofessional Health Care Institute, that provides benefits to the industry city wide, and helps to develop similar cooperatives across the U.S.

CHCA lists the following among its accomplishments:

- Over 80% of CHCA's employees share in the cooperative's ownership and elect from among themselves the majority of people on the Board of Directors.
- CHCA's learner-centered home health aide training is an empowering experience, emphasizing critical thinking, problem solving and cooperative team building.

- *CHCA* is creating a job ladder within the company. Several aides have become licensed practical nurses, assistant instructors, or job counselors. A new initiative will allow many workers to be promoted as "specialized aides".
- *CHCA* has achieved the status of a "yardstick corporation"--a company valued by government regulators, union officials, health care administrators and consumer organizations as a trusted model of excellent home care services.
- *CHCA* has led the development of a new "*quality care through quality jobs*" school of thought--the basis of a *United Hospital Fund of New York* report entitled, "*Better Jobs, Better Care: Building the Home Care Work Force.*"
- *CHCA*'s creation of quality paraprofessional jobs has also led to the cooperative's consistent citation by its major contractors as their highest quality provider, with an excellent record of reliability, competence, high patient satisfaction and low incidence of patient complaints.
- Quality frontline jobs have also been central to *CHCA*'s successful business strategy, with current annual sales of \$9.8 million and profitability for the last nine years. *CHCA*'s worker-owners typically earn annual dividends of \$200-\$400 as their share of the company's profits. ([www.paraprofessional.org/Sections/chca.htm](http://www.paraprofessional.org/Sections/chca.htm).)

This is an example of a company that achieves economic empowerment of low-income women of color, many of whom relied on public assistance, and in a sector known for its inadequacies (low paying, unstable, with little job mobility and reinforced working poverty status). *CHCA* is a worker-owned company that sets the standard for wages, benefits, training, and workplace democracy in its industry. It creates a significant number of meaningful jobs in the community, and generates income and wealth for members. The cooperative is active in sector development in New York City and has seen the incorporation of training, leadership development, and advocacy as essential. In addition, *CHCA* is at the forefront of replicating its model so that other communities can also benefit.

#### SSC Employment Agency

SSC Employment Agency in Baltimore, MD is a worker-owned cooperative temporary services agency.<sup>13</sup> It was sponsored by Baltimore BUILD, a community organizing and advocacy organization, in 1997 to develop a business which would help employ "hard to employ" local residents, develop their skills and mobility, and provide good jobs with ownership possibilities. In 2000, the agency placed 260 employees in hospitality jobs. An important part of the SSC's mission is to help employees become owners and give them a voice in the agency. After 160 hours as employees, workers are eligible to apply to become members, at an investment of \$100. In March 2001 there were seventeen worker-owners who elected the company's board of directors and received dividends.<sup>14</sup> The cooperative is working to help educate worker-owners about business management and plans to transition to a fully worker-owned company in the near future.

This is an example of an "agency-driven" model -of an active community organization supporting a business venture with a mission to train and position marginalized low-income members of the community to be workers and then owners in their own company. These models which develop and support enterprises that later transition to worker ownership are often quite

successful and are becoming popular as a strategy to provide good jobs, living wages, asset development, and sometimes self-management in low-income, poorly resourced communities.

#### APR Masonry Arts Corporation:

The APR Masonry Arts Corporation is an African-American worker-owned unionized masonry construction company.<sup>15</sup> African American union bricklayers in Los Angeles, CA, were underemployed and the union was at a loss for how to remedy the situation. Neither diplomatic outreach nor litigation had work. After seven years of organizing and fundraising, with help from the nonprofit organization A. Philip Randolph Educational Fund, the cooperative was launched in August of 1998. Members invested \$5000 each. They have completed jobs at the New Horizon Middle School in Pasadena, a medical building at the Los Angeles Zoo, and a Boy's and Girl's Club in Watts. They employ youth of color in their apprenticeship programs.

Economic discrimination, lack of opportunity and the need for a solution sensitive to a particular community contributed to the creation of this business. Several forces came together to find a solution and support the solution. Its existence has increased diversity of masonry business ownership in Los Angeles (there were no African American owned union contractors in the masonry industry in Southern California before). This cooperative is another that understands the power of incorporating and involving young people early on and provides opportunities to youth of color in the construction industry.

#### The Young Negroes' Co-operative League

The Young Negroes' Co-operative League is an example of a cooperative federation. It was founded in December 1930 by about 25-30 African American youth in response to a call by George Schuyler (Schuyler, 1930 and 1932; also see Calvin 1931). Its goal was to form a coalition of local cooperatives and buying clubs loosely affiliated in a network of affiliate councils (Ransby, 2003). Schuyler called for:

- 5,000 charter members, paying a \$1 initiation fee, by March 15, 1931;
- a forum in each community where there are five or more members;
- a co-operative enterprise where each council exists, by March 15, 1932;
- a co-operative wholesale establishment in each state by March 15, 1933;
- a co-operative bank in each community where there is a council by March 15, 1934;
- factories to produce such necessities as clothing, food, and shelter by March 15, 1935 (Calvin, 1931:1).

By 1932 the League had formed councils in New York, Philadelphia, Monessen (PA), Pittsburgh, Columbus (OH), Cleveland, Cincinnati, Phoenix, New Orleans, Columbia (SC), Portsmouth (VA), and Washington, DC, with a total membership of 400 (Schuyler, 1932). They intended for the local councils to support cooperative businesses. Buffalo, NY, was the first to launch a store. This cooperative grocery and meat market was doing \$3,000 worth of business monthly by October 1931 (Pittsburgh Courier, 1931: 1). Philadelphia started a cooperative newsstand and stationery store by 1932. They held their first national conference in Pittsburgh, PA, October 18, 1931, with thirty official delegates from member organizations and 600 participants (Pittsburgh Courier, 1931: 1). Schuyler was elected President; and Ella J. Baker, National Director. The group also resolved to cooperate with the Colored Merchants

Association. Both Schuyler and Baker addressed the audience. Schuyler reiterated his call and the need and potential for economic cooperation in the Black community. Baker closed the meeting with a discussion of the role and importance of women in the African American cooperative movement (Pittsburgh Courier, 1931).<sup>16</sup>

The first year of the League was devoted to “the study of history, principles and methods of Rochdale consumers’ cooperation. ... It is our conviction that we must be trained before trying to lead people” (Schuyler, 1932: 456). Another mission of the League was to keep control of the organization in the hands of young people; and “to bring women into the League on equal basis with men” (full inclusion of women). The organization was committed to grassroots, participatory democracy (Ransby). Members also pledged to involve children and create Children’s Guilds and Boys and Girls Clubs. The League’s five-year plan included training 5,000 co-op leaders (by 1932), establishing a cooperative wholesale outlet (by 1933), and an independent college (by 1937) (Ransby:84). The organization had financial difficulties early on and did not meet most of its goals, however it did grow steadily in the first few years (Ransby), and was responsible for the launching of many buying clubs and cooperatives (Grant, 1998: 35).

There are few examples of African American cooperative federations in the U.S. The Young Negroes’ Co-operative League was highly ambitious effort and succeeded in many endeavors, even its grand vision was not realized. Recurrent themes that emerge from this example are the importance of internal education, public education, and publicity; of attendance at and affiliation with national conferences and associations; and the problem of resources and financing. This example also highlights the larger strategy of networking and building federations of small local units (often only buying clubs). The commitment to women’s rights and empowering young people and children as potential leaders in the Black cooperative movement are relatively new themes that emerge from the example of the League. Members of the League were clear that cooperative economics was a tool or strategy of a larger movement - toward the elimination of economic exploitation and the transition to a new social order (Ransby: 86-87).

#### The Federation of Southern Cooperatives/Land Assistance Fund

The Federation of Southern Cooperatives/Land Assistance Fund (FSC/LAF) is a network of rural cooperatives, credit unions, and state associations of cooperatives and cooperative development centers in the southern United States. The FSC /LAF’s objectives over its 36-year history are saving Black-owned land and using cooperatives for land-based economic development to provide “self-help economic opportunities” for low-income communities (FSC/LAF, 1995, p. 3). The FSC/LAF provides technical assistance, legal assistance, financial support, education and advocacy for low-income populations in the south.<sup>17</sup> The Federation is the only system of networked co-op development centers, with a training center and experimental farm, controlled by African Americans in the U.S. today.

The Federation understood from its inception in 1967 the necessity of Black control over land and African American economic self-sufficiency. During the Civil Rights era, for example, African American share croppers were thrown off the land and laborers lost their jobs because they exercised their right to register to vote or even listen to a civil rights speech (also see

Freedom Quilting Bee). Agricultural cooperatives, marketing co-ops, credit unions and legal services provided or supported by the FSC/LAF decreased the economic insecurity and exploitation imposed by the white plantation bloc, and helped to sustain Black communities on their own terms. The FSC/LAF is also dedicated to land retention and sustainable farming, and has helped to slow the progress of Black land loss in the U.S.

Since 1967, for example, the FSC/LAF has helped save/retain in Black ownership \$87.5 million worth of land (175,000 acres at an average of \$500 per acre); assisted over 700 families with \$26 million worth of affordable housing units constructed and rehabilitated (including four multi-family rental projects with 126 units); mobilized \$50 million in resources for support of member cooperatives (particularly in sustainable agriculture) and credit unions; facilitated \$75 million in sales through cooperative marketing (an average of \$2.5 million per year in sales for the past two decades); and assisted in passing Section 2501 of the 1990 farm bill that created a new Federal program in USDA to provide outreach and educational services to African-American and other people-of-color farmers (FSC/LAF, 2002).<sup>18</sup>

The Federation is an organization of organizations that provides support services and development centers, networking, and national and state-level advocacy. The Federation provides education, technical assistance, demonstration projects and legal assistance. The Federation has a comprehensive vision of support based on a model of self-help and democratic ownership particularly for low income, rural and African American communities. As a comprehensive program it includes the development of credit unions and housing cooperatives along with farming and marketing co-ops. In addition, the Federation publicizes its achievements in leadership development and the significant roles of women in the organization.

## **Concluding Remarks**

Many different kinds of cooperative ventures have been tried in the Black community. A few of them are highlighted above. Many Black-owned cooperatives were/are a great success, particularly as strategies to save costs, provide quality goods and services, increase income, combat racial discrimination, and increase Black economic stability and self-sufficiency. They saved and created decent jobs in their communities, and often allowed members and employees to control their work environment. Organizers and members believed in education and training, both in relation to their economic ventures and organizational needs. They provided additional services to their communities and often stabilized them. There have also been failures -often for lack of enough resources (capitalization), lack of enough specific management experience and training, and because of poor business planning. On the other hand, there are also many examples of sabotage -rents increased to exorbitant rates, insurance coverage or other support services and/or capital withdrawn or not affordable, unfair competition, and other deliberate subversions. All the cooperatives had grand long-term plans that they did not always achieve, although many of the initial and intermediate goals were realized -some quite successfully. In addition, even if short lived, these experiments and experiences had far reaching consequences for the members and their communities, who were usually better off because of these efforts.

African Americans throughout their history have come together to pool resources, take



control of productive assets, and work to create alternative economies in the face of poverty, limited resources, market failures, and/or racial oppression. Many of the processes have been similar: join together in the face of a need or a problem, start small and spread the risk widely, use mutual group self-help as motivation, and continuously engage in education and training. Through their modest economic empowerment efforts, many of the groups were able to win greater battles against white landowners, white unions and general economic underdevelopment.

This paper has begun to reconstruct the history of Black cooperativism and explore ways in which African Americans can be leaders in the development of a cooperative commonwealth. These examples suggest that there are economic strategies that can bring African Americans and other marginalized communities some measure of control over their economic lives and contribute to their own and their community's economic prosperity. In addition to continuing the documentation of existing cooperative enterprises and their predecessors, particularly in communities of color, more research is needed to analyze the successes and failures, and understand the variety of cooperative ownership structures that are viable. There is more work to do to evaluate the economic successes and failures, and the economic impacts of cooperatives on their members and communities, particularly asset building and wealth creation, increased economic activity and job creation, and leadership development.

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Notes:

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1. See Clyde Woods, 1998, for example, who acknowledges that Black communities in the Delta Region have continuously advocated cooperative alternatives, and been continuously obstructed by the "white plantation bloc." Bruce Reynolds, 2001, documents many of these efforts. Also see Hope, 1940 (summary on page 52).
  2. Kwanzaa is an African American holiday created by Karenga.
  3. See in particular Du Bois, 1933 and 1975; Joseph DeMarco, 1974 and 1983; Haynes, 1999; Haynes and Nembhard, 1999; and Nembhard, forthcoming.
  4. For details on African American farmer cooperatives and their history, see Reynolds, 2001. Also see Federation of Southern Cooperatives/Land Assistance Fund, 2002.
  5. See Aizcorbe, et. al., 2003; percent calculation by author.
  6. Even though Du Bois only mentioned consumer cooperation in this speech, later in his life he advocated for producer- and worker- owned as well as consumer-owned African American cooperatives, and all types of co-op businesses to support a group economy. He also later stopped using just the word men and added women when mentioning humankind.
  7. Crump (330) actually names members of the board. The President is Mrs. Thurgood Marshall (presumably the wife of the man who later heads the *Brown v. Board of Education* winning team and becomes a Supreme Court Justice, although Crump does not identify her husband further).
  8. Some were put off their farms on their return from hearing Dr. Martin Luther King speak in a nearby town. See FSC/LAF, 1992: 39.

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9. Information has come from the Freedom Quilting Bee website, [www.ruraldevelopment.org/FQB.html](http://www.ruraldevelopment.org/FQB.html); and the FSC/LAF, 1992: 39 and 45. Also see McCulloch, 2001, p. 79.
10. This description also appears in Nembhard, forthcoming.
11. Information about Apex comes from a plaque in the Milwaukee African American History Museum. Viewed September 2003.
12. Glasser and Brecher, 2002, p. vii. Information in this section is based mostly on CHCA's website at [www.paraprofessional.org/Sections/chca.htm](http://www.paraprofessional.org/Sections/chca.htm); Shipp's, 2000, description; Glasser and Brecher; brochures; and also Weiss and Clamp, 1992.
13. This information is from McCulloch, 2001, p. 69; and author's personal discussions with Avis Ransom of R&B Unlimited, Inc., providers of management assistance to SSC.
14. This description also appears in Nembhard, forthcoming.
15. This information is summarized from Feldman and Nembhard, 2002: 40-42.
16. Ella Baker also went on to become chair of education and publicity for Harlem's Own Cooperative, Inc. (Cohen, 2003: 10). Harlem's Own started out as a buying club affiliated with the Young Negroes' Cooperative League. It was established under the auspices of the Dunbar Housewives' League in 1935, mostly as a distributor of milk (Grant, 1998: 35). It grew and remained functional into the 1940s. Ella Baker remained connected with it until 1941 when her job with the National Association for the Advancement of Colored People (NAACP) required her to travel a great deal.
17. Also see their website: [www.federationsoutherncoop.com](http://www.federationsoutherncoop.com); and "A Tribute to the FSC/LAF," 2000.
18. This description also appears in Nembhard, forthcoming.