

Livable Cities:
The Moral Measure of Urban Century Wealth

Abstract

After millennia of agrarian, pastoral existence, humanity is now migrating to cities, with a global urban population of 75% projected for 2050, making the 21st century the first “urban century.” Historically, cities have been incubators of wealth spurred by growth in production and trade, but millions of new urbanites are poor, overwhelming cities with the challenges of building and managing sustainable material, administrative, and social infrastructures for a rapidly expanding population. Will Urban Century cities become sprawling cesspools of destitution and despair or catalysts of dynamic, inclusive wealth creation for human flourishing?

This paper argues that the creation of livable cities in the next century is an opportunity for business to demonstrate a new ethos of social responsibility, but to do this will require a fundamental rethinking of wealth and the role of business as a creator of value.

Keywords: livable cities; sustainability; corporate civic engagement, corporate social responsibility (CSR), corporate citizenship

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After millennia of agrarian, pastoral existence, humanity is quickly migrating to cities, with a global urban population of 75% projected for 2050. Historically, cities have been incubators of wealth spurred by growth in production and trade, but millions of new urbanites are poor, overwhelming cities with the challenges of building and managing sustainable material, administrative, and social infrastructures for a rapidly expanding population. Will cities of this new “Urban Century” become sprawling cesspools of destitution and despair or catalysts of dynamic, inclusive wealth creation for human flourishing?

This paper argues that the creation of livable cities for the Urban Century is an opportunity for business to demonstrate a new ethos of social responsibility, but to do this will require a fundamental rethinking of wealth, the structural dynamics of wealth creation, the role of business in society, and the locus wealth creation.

Situating Livable Cities in Academic Business Literature

This paper builds on ideas, familiar to business ethicists, which challenge conventional economic and business thought:

- *Capital is the measure of wealth.* The architecture of 20th century globalization is built on the foundation of capital as the measure of wealth.

Enderle challenges this view in conceptualizing a richer understanding of wealth that includes physical, financial, human, and social capital, encompassing private and public wealth and accounting for its production and distribution as well as recognizing its material and spiritual dimensions in a time horizon of sustainability. (Enderle, 2009)

- *Human beings and societies must accumulate capital through production and trade.* Sen, Nussbaum, and others challenge the race for capital in asserting that human flourishing is both the means and end human of economic growth expressed in the development and exercise of capabilities through many human endeavors. (Sen, 1999; Nussbaum, 2003)
- *The purpose of business is to maximize profit.* Freeman and others challenge this narrow conception of business as categorically separating business from ethics and truncating the complex network of stakeholders involved in a business to assert that business is deeply interconnected with society in the creation of value. (Freeman, 1994)
- *Wealth is created in nation states.* Although wealth is traditionally reported and compared in the political unit of nation states, the “wealth of nations” worldview is being challenged by data demonstrating that cities and urban clusters generate the majority of goods, services, and capital that constitute the world’s wealth. (United Nations *State of the World’s Cities*, 2011)

Amid the discourse of globalization, a growing body of policy and academic literature underscores the importance of cities as the emerging locus of human development in coming decades as the discourse shifts from the easily abstracted global scope to the economic, social,

and political struggles of locally anchored urban stakeholders grappling with the complexity and constraints of geographically concentrated human development. Theories of justice, rights, virtue, and capabilities developed in the last century rigorously and robustly outline the normative value of human rights and development (as distinct from GDP-based economic development) expressed in universally embraced commitments such as the UN Human Rights Declaration, Millennium Development Goals, and the Global Compact.

Applying these values and commitments to the concrete conditions of specific cities, however, presents numerous challenges; wealth inequality in relation to the “global poor” is a less vivid inquiry than devising strategies for homeless, jobless, and debt-ridden citizens in the next ZIP code to benefit from the wealth we create in our own cities. Evidence indicates that the world’s cities are stratifying into a small cluster of wealthy, “strong market” cities for the rich and a larger constellation of “weak market” cities for everyone else; that within cities, neighborhoods are becoming more segregated and stratified by wealth and class; and that an emerging, cosmopolitan global elite of high net worth individuals identify less with anchors of place and local culture than with their like-minded tribe of wealthy nomads. (United Nations, *State of the World’s Cities*, 2011; Capgemini, *World Wealth Report*, 2011)

The concept of the livable city projects a vision of the Urban Century in which business functions as a collaborative partner with public and social sector agents in creating inclusive, sustainable wealth anchored in the people, places, and communities of cities. To realize this vision, however, business will need to position itself among other urban stakeholders in building expectations, practices, and partnerships of shared values, responsibility, and value. creation Much of this vision has been articulated in a general way or in other contexts and this paper does not offer new theory; it unpacks and reframes familiar thought and discourse in the concrete

context of livable cities as an effective way of thinking about and evaluating business as an Urban Century human enterprise.

Livable Cities: The Broader Discursive Context

Discourse on urbanization and livable cities emerged as a global policy concern towards the end of the last century as the United Nations Human Settlements Programme (UN-HABITAT), World Commission on Environment and Development (WCED), Human Development Programme (UNDP), and the World Bank Urban Development Program began framing global economic development in the context of human values with a focus on cities and the environment. UN-HABITAT was established following the 1976 UN Habitat Conference in Vancouver with a mission to promote socially and environmentally sustainable towns and cities with adequate shelter for all. (<http://www.unhabitat.org/>). In the ensuing decades, UN and World Bank development and sustainability programs laid the groundwork for long-term initiatives focused on cities. Concurrently, urban studies and urban planning have emerged as academic research and policy disciplines focused on the design, development, and management of cities for the 21st century – the world’s first “urban and metropolitan century.” (Katz, 2011)

With the notable exception of Michael Porter and Richard Florida, there is comparatively little academic business research on cities. The *Academy of Management Journal*, *Academy of Management Review*, *Journal of Management*, and other prestigious journals generate a substantial body of academic business research on issues such as globalization, corporate governance and social responsibility, sustainability, and stakeholder management that are relevant to the livability of cities, although it generally focuses on companies or the business-society relationship in general rather than explicitly on cities. Much of this literature tacitly but

unequivocally assumes that wealth is the pathway to human happiness, but it is rarely critical in considering equity or inclusivity in the apparatus of wealth creation.

Since the launch of his Initiative for a Competitive Inner City (<http://www.icic.org>) founded in 1994, Michael Porter has focused on business-led urban economic development, arguing that philanthropic and redistributive social investment alone do not create sustained value for struggling cities in a competitive market economy. Porter suggests, rather, that the competitive advantages of strategic location, local market demand, regional market clusters, and an eagerly industrious workforce favor inner cities in pursuing effective shared value creation strategies for growing economies and creating jobs. Although increasingly working from a model of “shared value creation” that emphasizes urban stakeholder collaboration, Porter stresses that shared value “is not social responsibility, philanthropy or even sustainability, but a new way to achieve economic success” by including the undervalued inner city and its poor. As welcome as these views might be to city economic boosters, Porter’s is not a “rich” view of wealth; it is a transactional view of business capitalizing undervalued assets to drive economic growth that, in turn, enables communities to thrive. (Porter, 2011)

Richard Florida is well known for his research exploring the intersection of creativity, place, and economic performance. (Florida, 2004; 2005; 2008) Florida pioneered the concept of the “creative class” which economically struggling post-industrial cities are exploring, with varying degrees of success, as a platform for revitalizing vacant and underutilized factories, warehouses, and office complexes to attract creative professionals. Florida now directs the Martin Prosperity Institute at the Rotman School of Management in Toronto, investigating quality-of-life in post-industrial cities.

Business ethics scholarship could be considered the most likely to include the livability of cities as an object of inquiry; issues of environmental sustainability and corporate social responsibility are prominent in this literature and assume a social context for business that is often understood as urban. Yet, cities are rarely mentioned except in passing or as examples in the *Journal of Business Ethics*, *Business Ethics Quarterly*, *Business and Society*, and *Business Ethics: A European Review*, all major venues for business ethics scholarship. In a broad survey of corporate social responsibility theory, Garriga and Melé classify four widely-applied approaches related to economic, political, and social factors that certainly characterize and are applicable to cities, but do not mention them. (Garriga & Mele, 2004; Taneja, Tenja, & Gupta, 2011)

A ten-year analysis of business ethics articles in *Strategic Management Journal* found only 21 articles with ethical themes featuring environmental issues and ethical business policies and practices -- issues highly relevant to cities' concerns about habitat and corporate behavior. (Robertson, 2008) A comprehensive analysis of the intellectual structure of business ethics literature over thirty years identifies themes of corporate culture, social responsibility, citizenship, and environmental sustainability that certainly shape the livability of cities but do not appear in the analysis as related to cities. (Calabretta, Durisin, & Ogliengo, 2011, p. 500)

Consider, in contrast, the issues addressed in the *McKinsey Quarterly*; several articles published in 2011 alone feature the strategic and managerial business challenges of cities in narratives that directly address sustainability, social responsibility, and governance issues acknowledged as highly important, but lacking the rich insights and analysis of a more rigorous ethical perspective that would presumably be present in a similar article published in the *Journal of Business Ethics* or *Business Ethics Quarterly*. (McKinsey Quarterly, 2012)

With a history of weighing the competing demands of business and society, the discipline of business ethics offers established frameworks and methods for theorizing and evaluating the role of business in building and maintaining cities that create wealth for human flourishing: Human dignity, justice and rights (Gewirth, 1996; Collins, 2000; Cragg, 2000; Birsch, 2005; Moriarty, 2005; Sandelands, 2009; Cragg *et alia*, 2012) virtue and character (Koehn, 1995; Maitland, 1997; Hartman, 1998, 2011; Moore, 2005, Mele, 2009; Graafland, 2010), capabilities (Bertland, 2009; Giovanola, 2009; Kulkarni, 2009; Renouard, 2011), and stakeholder interests (Reed, 1999; Cragg, 2002; Phillips *et alia*, 2003; Kaler, 2006; Freeman *et alia*, 2007; Cohen, 2010; Hasnas, 2012). The vigorous discussions in this literature are wide-ranging in the ethical examination of business topics such as individual and firm behavior, morality of markets, corporate character, rights and treatment of employees, fair treatment of stakeholders, character inducements of capitalism, and many interconnections among these topics. While these discussions can be applied generally to cities and their individual and institutional constituents, they do not address directly issues of human personhood, citizenship, and civic conscience in the context of business, urbanization, and the livability of cities. This paper builds on this literature to introduce and frame the moral challenge of urbanization as a subject for continued business ethics inquiry and analysis of the integral role of business in the vitality of cities.

The Organization of This Paper

Business creates enormous value for society by producing and trading the goods and services people want to buy; CSR, philanthropic initiatives, and CSR-aligned value creation, very often in urban locations, add substantial social value as well. There are compelling reasons, however, for companies to leverage these efforts with a strategic focus on livable cities that

could boost achievement towards both business and social goals. Increasingly, the world's people and businesses are located in cities that carry most of the planet's carbon load, disease vectors, violence, political unrest, and a host of other intractable problems. Thus cities offer the greatest potential for managing and solving these very problems that threaten humanity and the planet. The dynamic diversity of cities also create unique synergies for innovation, adaptation, and problem solving. While globalization and global consciousness have become permanent realities for even small businesses, the world's cities are defined sites conducive to systematic problem solving strategies and metrics that can be shared and replicated.

Amplifying this pragmatic logic, the assertion that livable cities are a moral measure of wealth creation is developed in the following steps to describe:

1. The demographics of urbanization;
2. The challenges and opportunities of livable cities;
3. The “unlivability” of the “urban growth machine”;
4. A strategy of civic engagement for business as an urban stakeholder.

Demographics of Urbanization

More than just population growth, urbanization involves changes in the economic, social, environmental, and political structures of a region. The confluence of globalization, urbanization, the “weightless economy,” and financialization has radically altered the character and complexity of cities as well as their relationship to the natural environment and human society. An underlying premise of this paper is that unlivable cities are a threat to human flourishing. Even a cursory look at global demographics illustrates that premise, but a growing body of literature amplifies that illustration with compelling evidence. The threat is seen most

acutely in terms of barriers to health, security, sustainability, political stability, and economic opportunities documented in multiple sources of international data and policy research. In his forward to the latest report on the state of the world's cities, UN Secretary General Ban Ki-moon drew attention to the "urban divide," observing that

The emerging picture of the 21st century city fits many descriptions.

Some are centres of rapid industrial growth and wealth creation, often accompanied by harmful waste and pollution. Others are characterized by stagnation, urban decay and rising social exclusion and intolerance. Both scenarios point to the urgent need for new, more sustainable approaches to urban development. Both argue for greener, more resilient and inclusive towns and cities that can help combat climate change and resolve age-old urban inequalities.

(UN-HABITAT, 2011)

What is a city?

The UN and other multilaterals have working typologies of human settlements, but there is no universal or standard definition for a city beyond the generic large human settlement that may span several jurisdictional boundaries and may include areas of varying density. The Brookings Institution has adopted the terminology of "metro areas" and "MetroNation" to blur boundaries between urban/suburban boundaries and emphasize the interconnectedness of neighboring jurisdictions with longstanding distinctive identities and histories. The US Census Bureau differentiates "urban areas" of 2,500 people and a minimum density of 500 people per square mile from "metropolitan areas" with a core area of at least 50,000 people surrounded by adjacent economically integrated urban areas.

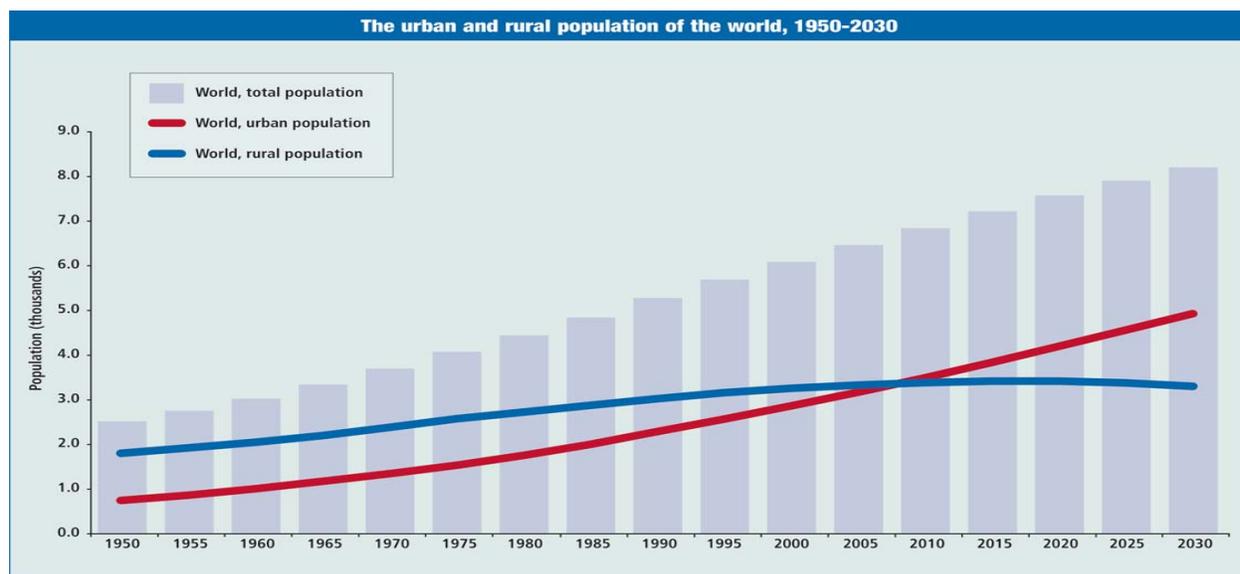
Half a billion people – nearly 15% of the world's population – live in just forty urban areas

easily recognized as cities: Tokyo, Jakarta, Kolkata, Los Angeles, Paris, Lima. Many cities in newly urbanizing areas of the world, however, are agglomerations of human settlements with few of the features associated with older, developed cities (skyscrapers; paved street grids; water, energy, and sewage systems), an example of the glaring contrasts between the urban rich and poor, often divided by invisible social, cultural, or ethnic boundaries. The 2010/11 *State of the World's Cities Report* observes that much of the inequality and injustice of the “urban divide” stems from failure to design and build structures of participation, inclusion, and decision-making that span the invisible – and sometimes visible – boundaries.

Urbanization demographics

Urbanization demographics illustrate large-scale human migration with the pace of urbanization mirroring the pace of world population growth and a gradual decline in rural population projected for the early decades of the 21st century.

Figure 1. World Urbanization: 1950-2030

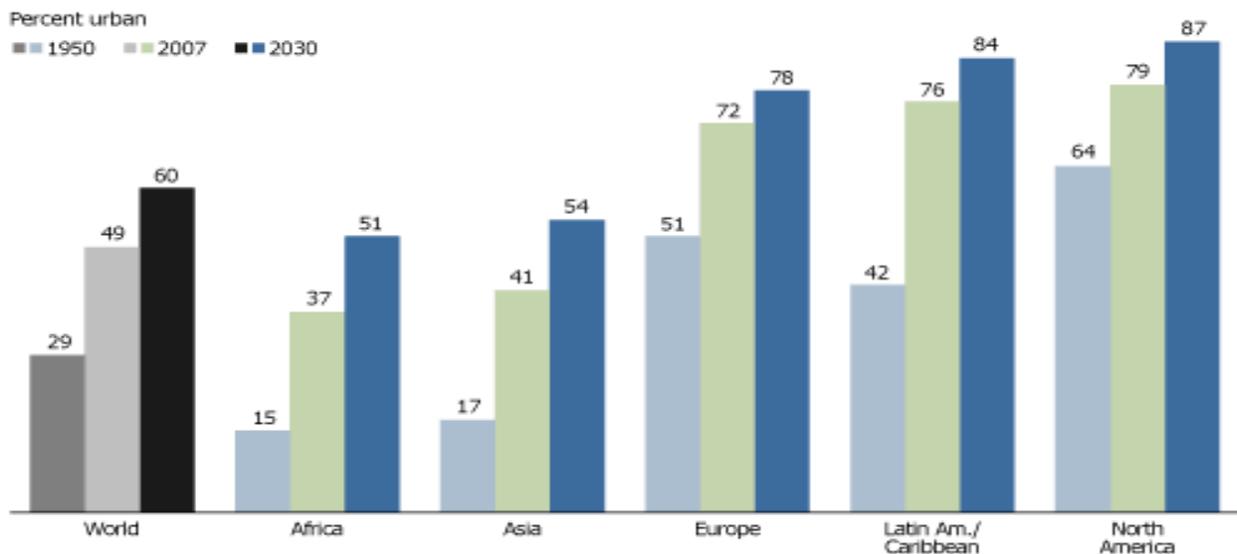


Source: United Nations, World Urbanization Prospects: The 2005 Revision (2006)

URL: <http://www.un.org/esa/population/publications/WUP2005/2005wup.htm>

The pace of urbanization varies among regions, with the largest cities in developed regions growing more slowly. In 1950, the world’s three largest cities were New York-Newark (12.3 million), Tokyo (11.3 million), and London (8.4 million). In 2015, the world’s largest cities are expected to be Tokyo (35.5 million), Mumbai (21.9 million), and Mexico City (21.6 million). Although much has been made of megacities, urbanization is not concentrated in megacities; fewer than 10% of urbanites live in cities of over 10 million; over 60% live in cities of under a million and about half live in cities with fewer than 500,000 people and 20% live in cities with fewer than 500,000 people. Patterns of urbanization vary widely by region, with the most rapid growth expected in Africa and Asia where until very recently most of the population has been rural and the urban population is expected to double between 2000 and 2030. By 2030, 70% of the world’s urban population will live in Africa and Asia. The bulk of migration is now among cities and a growing proportion emerging market urbanites are elderly.

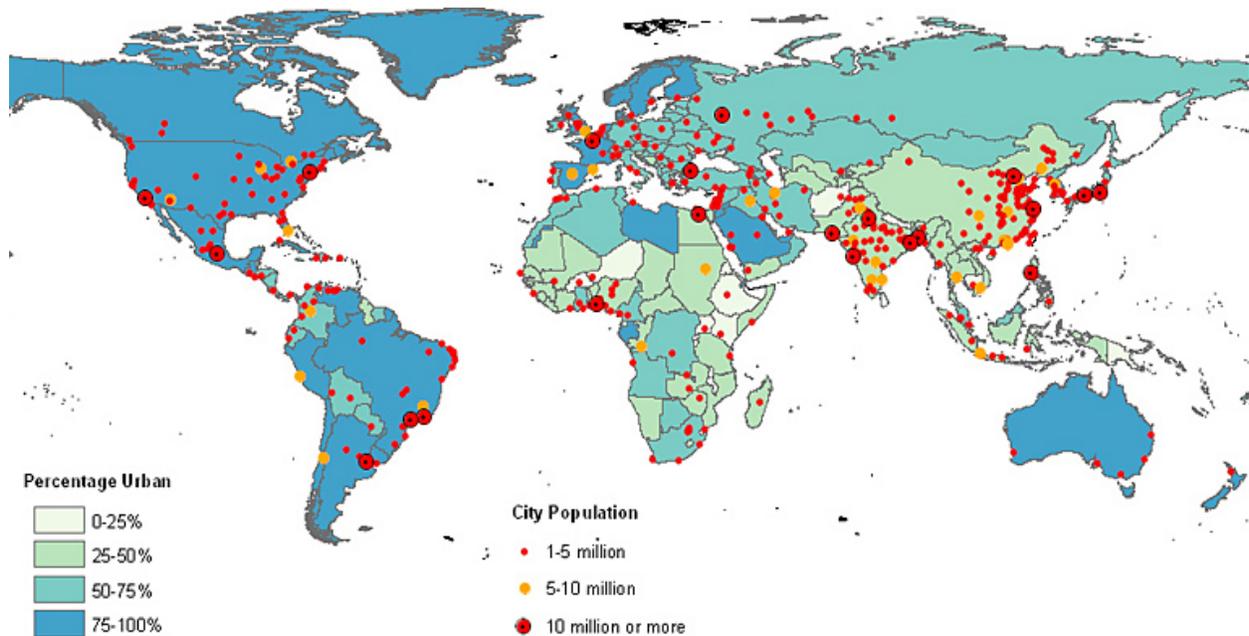
Figure 2. World Urbanization by Region: 1950-2030



Source: United Nations, World Urbanization Prospects: The 2005 Revision (2006)
 Carl Haub, 2007 World Population Data Sheet.

Rapid urbanization is only part of the world’s demographic story; the total urban footprint remains surprisingly small. With the exception of Asia, Europe, and parts of the Middle East, Africa, and the Caribbean, most of the world is sparsely populated, with only 3% of the land mass classified as urban, although estimates vary. Much of the urban population is further concentrated around coastal areas and inland waterways, particularly in temperate climate zones, leaving large expanses of inland and inhospitable areas relatively unpopulated.

Figure 3. World Urban Population by Region: 2009



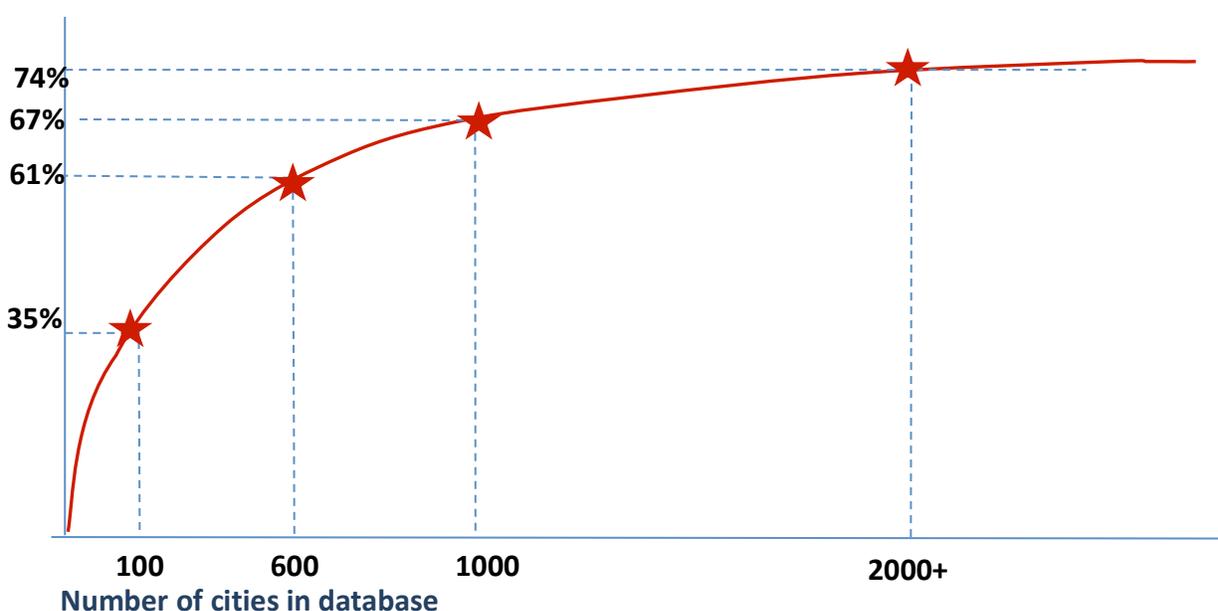
Source: United Nations, World Urbanization Prospects, 2009 Revision.

URL: http://esa.un.org/unpd/wup/Maps/maps_1_2009.htm

The impact of earth’s small urban footprint, however, is large. Home to almost all of the world’s universities and cultural institutions, cities also generate most of the world’s wealth and trade, three-quarters of it from 2,000 cities. Megacities of over 10 million people account for a lower share of urban productivity than mid-sized cities of 150,000 to 10 million. Mid-sized

cities in emerging markets are expected account for nearly 40% of global growth by 2025 – more than the entire developed world and emerging market megacities combined. (World Bank Institute, 2011) In tracking the growth and economic potential of cities, McKinsey a new “growth frontier” of mid-size cities, barely on the radar screen of many multinational firms, that are growing their own diverse urban economies.

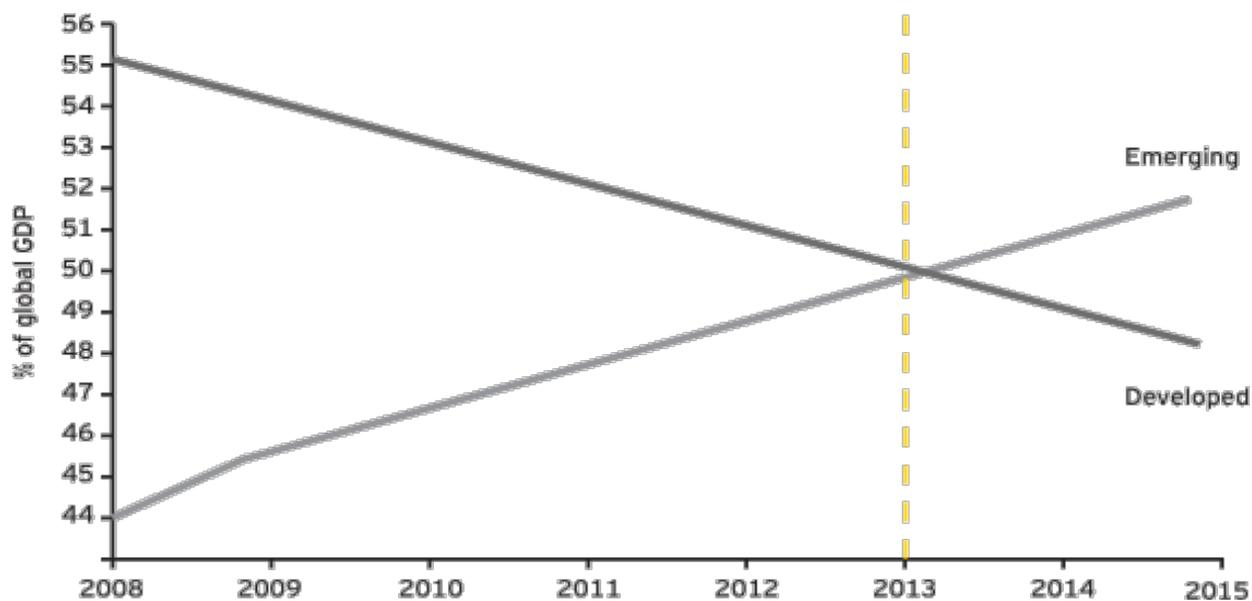
Figure 4. Global Cities and Proportional Share of Economic Growth: 2010-2025



Source: McKinsey Global Institute: “Mapping the Economic Power of Cities”
http://www.mckinsey.com/Insights/MGI/Research/Urbanization/Urban_world

In this new growth frontier of mid-size cities, business strategies will require more intensive engagement with local public and social sector stakeholders from adaptive, entrepreneurial firms ready to tackle uncertain business and social environments, particularly in emerging-market cities without the sophisticated managerial infrastructure that firms have relied on in older, industrial economy cities. Yet, these emerging-economy cities are driving global wealth creation.

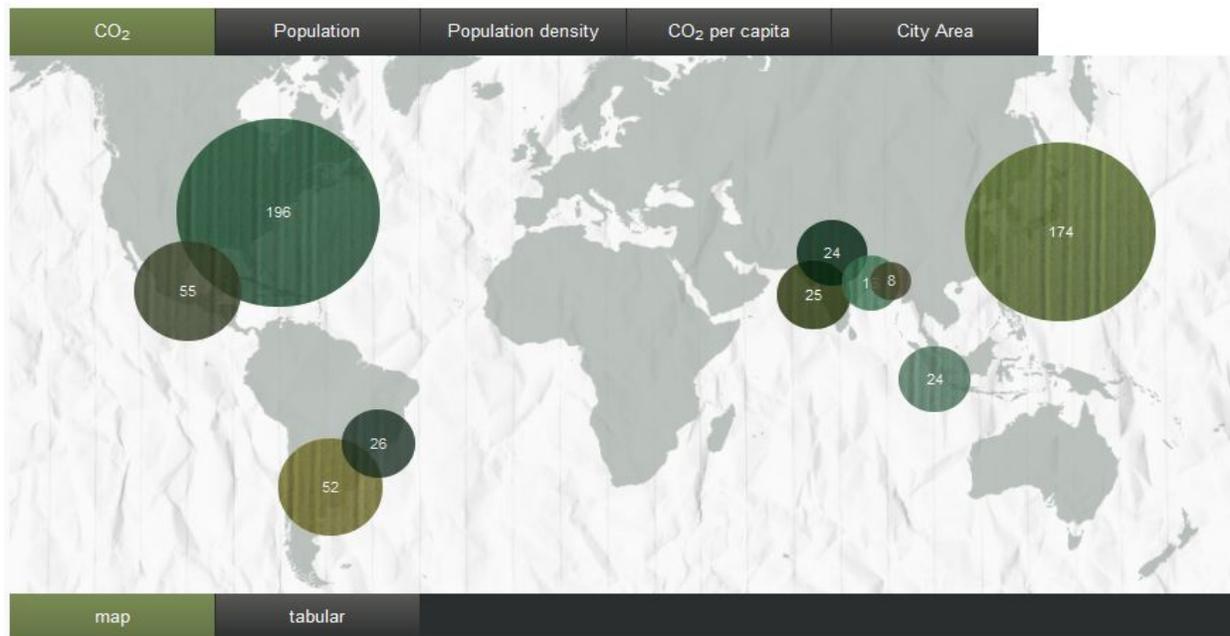
Figure 5. Emerging and Development Market Share of Global GDP: 2008-2015



Source: “World Development Indicators,” World Bank Institute, 2011
<http://data.worldbank.org/data-catalog/world-development-indicators/wdi-2010>

Data bear out the longstanding view that cities, despite their attractions and benefits, can be dangerous. Crowded urban conditions pose risks to health and safety, with crime, violence, disease, and pollution rates much higher than sparsely settled areas. The health and safety risks of cities, moreover, extend far beyond their origins. CO₂ emissions, an estimated 70% generated in urban areas, are thought to spread pollution worldwide, disrupting remote ecosystems and altering global climate. The picture is not entirely grim, however. Recent research findings demonstrate that densely populated cities produce lower per capita carbon emissions than other areas, suggesting the possibility of reducing total planetary carbon load by increasing the energy efficiency of cities. Forward-looking companies have begun aggressively developing the green energy sector by focusing on the eco-efficiency of cities.

Figure 6. CO2 Emissions of the World's Largest Cities



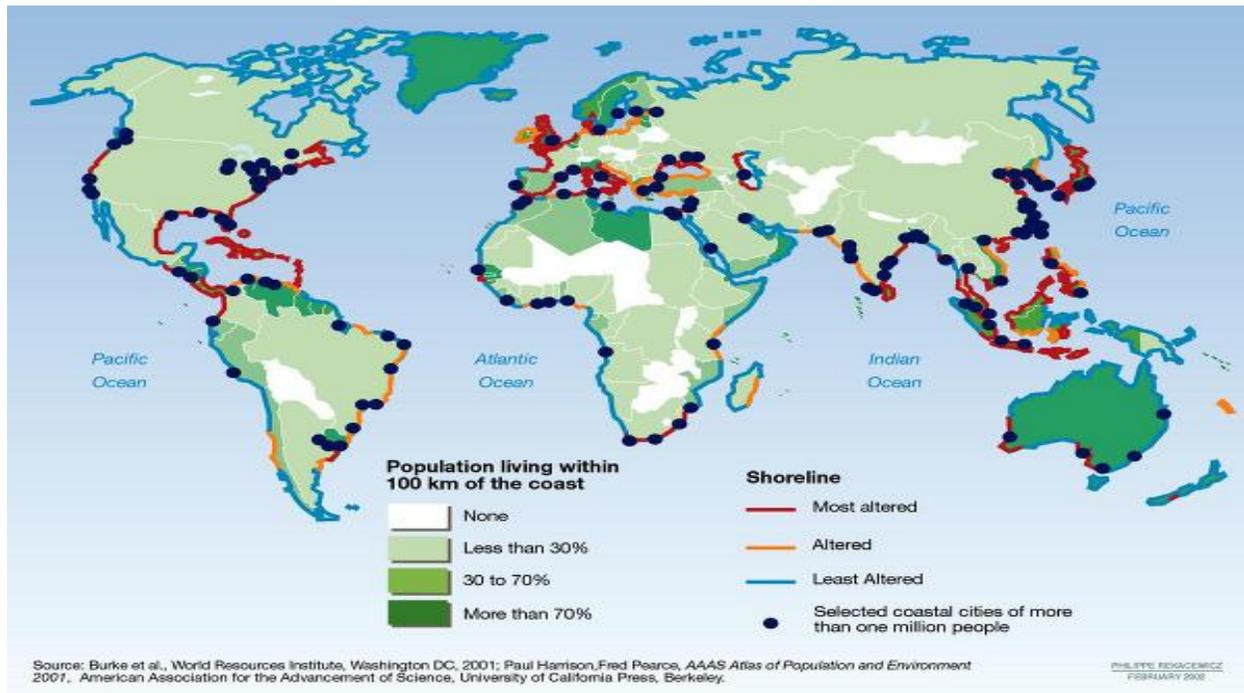
Created by Matt Barringer, Data collation and analysis by Eoghan Macguire for CNN, Produced by Mairi Mackay and George Webster, CNN.
Source: CNN analysis of World Bank and City Mayors data

Source: CNN Visualization of World Bank Data

<http://edition.cnn.com/2011/WORLD/africa/11/28/big.cities.CO2.emissions/index.html>

The impact of CO2 emissions is especially urgent for densely populated coastal and inland waterway areas most at risk for flooding, where 10% of the land area is urban and 65% of the world's urban population lives. (Earth Institute, Columbia University, <http://www.earth.columbia.edu/>) Carbon emissions are linked to climate change and the increasing frequency and severity of coastal flooding, shoreline erosion, and rising sea levels. As recently witnessed in New Orleans, Haiti, and Japan, these conditions greatly exacerbate the devastating impact of natural disasters such as hurricanes, earthquakes, and tsunamis. Even in rich, developed countries with warning and evacuation systems, it is the poor who are most at risk when disaster strikes.

Figure 7. Global Coastal and Freshwater Ecosystems: Urban Populations At Risk



Source: World Resources Institute, 2001
<http://www.bvsde.paho.org/bvsacd/cd30/coastal.pdf>

The growing awareness of urbanization challenges is building momentum for a framework for understanding urban livability that combines local needs and priorities with global resources and expertise in solving problems. The World Bank’s urban strategy, for example, developed in coordination with the United Nations and other multilateral agencies to support cities in planning and land management, finance and government, service delivery, and safety and resilience, represents a community-based approach to urban issues.

Livable Cities: The Challenge and Opportunity

In the coming Urban Century, cities will bear the burden – and opportunity—created by the majority of human beings who will create and live out their destinies in cities. As never

before, the character and capabilities of cities will shape the human future and business will be an integral urban stakeholder in determining how that future unfolds.

“Livable cities” gives concrete, immediate meaning to the human values at stake in the sprawling urban human settlements that have emerged in the past several decades. *Making Cities Livable* (IMCL) gathers thousands of people every year around a global mission of well-being for people, communities, and habitats (<http://www.livablecities.org>); Mercer’s annual Quality of Living Survey ranks hundreds of cities according to 39 criteria in ten categories; San Francisco’s development agenda is branded as “Livable Cities” to brand its development agenda.

(<http://livablecity.org/>) Siemens and Cisco promote “livable cities” in their corporate marketing campaigns; *Forbes* and *The Economist* publish rankings of livable cities. There are no standard criteria of livability shared by any of these sources, but the term clearly projects the value of people in a maelstrom of forces seeking to exploit and extract the value of cities.

Although there are both pitfalls and opportunities in the “livable/livability” terminology, on balance, the blandness of buzz words and their meaningless overuse is likely to be outweighed by the opportunities for focus on place-making, meaningful exchanges of learning and practice, and a link connecting the myriad of improvement activities and projects conducted at many levels. (Massey, 2005) The elasticity of “livable cities” invites substantive thought and concrete metrics for benchmarking progress towards social, economic, and environmental sustainability goals anchored in human values.

The Brundtland Report’s multidimensional framework of *economic development, social development, and environmental protection* remains relevant for understanding the dimensions of sustainability, developing goals and strategies, and setting benchmarks for evaluating progress towards meeting sustainability goals.

A livable city enables the present generation to meet its without compromising the ability of future generations to meet their needs.

A Conceptual Framework for Livable Cities

And what, exactly, does a livable city do to enable people to “meet their needs”? Evans clearly hones in on *livelihood* and *ecological sustainability* as the twin faces of livable cities, forging a link of business, economy, and ecology. (Evans, 2002, p. 1) The Brundtland multidimensional framework of *social, environmental, and economic sustainability* (people, planet, and profit), now evolved into a multilateral agenda aligned with the Millennium Development Goals, provides some specificity for understanding the city as a *habitat* (an ecosystem of place), a source of *livelihood* (an ecosystem of enterprise and trade), and a *community* (an ecosystem of relationships). This framework is expressed with finer granularity in the working agendas and urban development programs of UN-HABITAT, UNDP, the World Bank, and other multilaterals with the shared understanding (clearly expressed in websites and documents) that *all dimensions are essential, interconnected, and sustainable*.

With this framework in mind, the next consideration becomes ways that the multiple stakeholders of a city can collaborate to build and maintain it as a system that reliably and effectively facilitates individuals and communities in taking responsibility for meeting their own needs. Which resources (material and nonmaterial) should be provided as a shared social investment and which should be left to the discretion individuals and families? These are questions of capabilities and collective will that invite a closer scrutiny of Sen and Nussbaum in asking why people flock to a city – or a particular city, if not to pursue greater opportunities to meet their needs or, in Sen’s language, become more “free?” Framing urbanization as a narrow

pursuit of jobs and money is an impoverished view of human freedom, truncating the creative potential of both people and cities.

Sustainability and Human Capabilities: A Combined Framework

Combining the Sen/Nussbaum capabilities approach with the UN-HABITAT *social, environmental, and economic* sustainability framework places human beings at the center of a basic architecture of factors that characterize a livable city. Nussbaum contends that a full human life is constituted by the means and freedom to develop specific capabilities; her list of ten capabilities is used here and replicated in the appendix. (Nussbaum, 2003, p. 41) Nussbaum understands these capabilities as both normative/universal and particular/pluralistically, meaning that they will be interpreted and expressed variously in a close interaction of individual and collective agency within specific communities. The blended capabilities and sustainability frameworks create a set of factors and indicators to describe, evaluate, and compare cities on the basis of their performance *enabling the present generation to meet its without compromising the ability of future generations to meet their needs.*

The Livable Cities Index

The Livable Cities Index is a matrix of the combined sustainability and human capabilities frameworks. Grouping Nussbaum's ten capabilities on the Y axis and sustainability factors on the X axis creates twelve cells as indicators of human entitlements (and powers) at the intersection of human capabilities and sustainability. The index is envisioned as a tool for urban stakeholders to use in structuring dialogue for evaluating and setting directions for their own cities as sites of wealth creation for human flourishing. The content of each cell would be determined by people within a city or community; the display below is an example of how these cells might be filled in.

Table 1. Livable Cities Index

| | | Social Sustainability | Environmental Sustainability | Economic Sustainability |
|--------------------------------|-----------------------------|---|--|---|
| Somatic Capabilities | Life | Adequate/Accessible: Food/Water | Pristine natural spaces/species | Protected natural spaces/species |
| | Bodily Health | Health care Shelter Time | Hazard-free built environment: Homes Workplace Public spaces | Self-sustaining work and income Fairly priced and compensated physical care work |
| | Bodily Integrity | | | Secure real/personal property rights |
| Noetic Capabilities | Senses, Imagination Thought | Adequate/Accessible: Socialization Education Expressive media Cultural legacies Intellectual/artistic rights Natural spaces Time | Pristine natural spaces/species Hazard-free built environment: Schools Public spaces Expressive media Cultural legacies | Secure intellectual/artistic property rights Fairly priced and compensated intellectual/artistic work Secure, fairly priced and compensated financial /business services/opportunities |
| | Emotions | Mobility/transit | | |
| | Practical Reason | | | |
| Relational Capabilities | Affiliation | Adequate/Accessible: Social networks Social institutions Gathering spaces Social rights Time Mobility/transit Communication networks | Pristine natural spaces/species Hazard-free built environment: Homes Workplaces Public spaces | Secure social property and association rights Fairly priced and compensated relational work Secure, fairly priced and compensated financial /business services/opportunities |
| | Other Species | | | |
| Agency Capabilities | Play | Adequate/Accessible Political institutions Political rights Gathering spaces Communication media/networks Property rights Economic/civil/political rights Time Mobility/transit | Pristine natural spaces/species Hazard-free built environment: Homes Workplaces Public spaces | Secure economic, civil, and political rights Fairly priced and compensated civic, entertainment, and governance work Secure, fairly priced and compensated financial /business services/opportunities |

Recalling that human capabilities are both the end and means of freedom, it should be noted that people, as individuals and as groups and institutions, actualize their entitlements; they don't just "happen." For example, the entitlement to hazard-free homes and workplaces relies on the commitment and discipline of individuals, institutions, and communities to positive action and to refrain from actions that create hazards for themselves and others.

Once indicators are selected for each cell, data can be gathered from available sources to create a profile for a city. These profiles can then be aggregated to create an index for comparing cities, similar to the HDI, but with more standardized and reliable data. Indicators and variables can be manipulated to create different types of profiles. The outcome is a Livable Cities Index (LCI).

The LCI differs from the existing rankings of livable cities in its purpose and in the profile created. The purpose of the LCI is to describe, evaluate, and compare cities on the basis of their performance *enabling the present generation to meet its needs without compromising the ability of future generations to meet their needs*. The purpose of the Mercer rankings is to provide a resource to develop compensation packages for globally mobile personnel. Similarly, the *Economist* Intelligence Unit produces the livability rankings for business uses such as compensation or investment. (Mercer: <http://www.mercer.com/qualityofliving>; and *Economist*: <http://www.economist.com/node/21016172>). The data from both sources provide a valuable profile of the world's cities are useful for many purposes, particularly for relatively affluent people in comparing lifestyle costs across cities, but there is no attempt to design or use these surveys to address sustainability or human development issues.

The LCI is a versatile tool for a company, a group of companies, or a cross-sector group of companies, public agencies, and civil sector agencies to use in constructing a profile for their city

as a starting point for establishing shared goals and benchmarks for collaboration in making their city more livable.

The Urban Growth Machine: What Livable Cities are *Not*

Concepts are defined, in part, by what they exclude. In recent years, a host of terms (e.g., “business friendly,” “smart growth”) have been coined to describe the growth dynamics of cities. Two of these, “business friendly” and “urban growth machine,” are especially important to differentiate. “Business friendly” is variously used by business development advocates to compare and rank the business environment of cities and states from the perspective of business investment. Factors such as time required for incorporating a business, availability of financing, corporate tax rate, the strength of organized labor, and minimum wage may be included in formal surveys and indices, but the term is also used to signify a “pro-business” attitude and willingness to accommodate business interests that is sometimes interpreted as compromising or threatening to the interests of a city’s residents. The underlying subtext of “business friendly” discourse is often a message that economic growth trumps every other kind of growth and community interest. In a livable city, business is one among a number of stakeholders whose interests are of vital concern.

The drive for urban economic growth has also generated global interest in the city as an “urban growth machine,” a term originating in urban studies discourse to describe the relentless pursuit of development investment at the expense of the common good. This widespread trend was observed in the US in the 1980s and into the present with the decline of federal government support for local economic and infrastructure development that prompted cities to rely increasingly on local public/private coalitions to spur capital accumulation through land-use

intensification and economic development. This “urban growth machine,” hypothesized as a mechanism for rentiers (large-scale property owners, developers, managers, and financiers) to increase the exchange value of urban real estate by targeting growth, emerged as a powerful and resilient mechanism for developing urban infrastructure and public works as preconditions for local economic development. (Logan J. a., 1987)

In executing the urban growth machine, the rentier class partners primarily with local public officials, but also the media, civic organizations, local anchor institutions, organized labor, and other urban actors to promote a pro-growth consensus that conflates the urban growth machine with neoliberal market ideology, community prosperity and the common good, thereby ensuring virtually unanimous belief in the value, benefits, and necessity of growth with very little attention to the costs and potential risks. (Kirkpatrick, 2011, p. 478)

With livability in mind, some critics of the urban growth machine question the limits of growth, particularly in developed economies such as the United States. (Logan & Swanstrom, 1990; Hirsch, 2005; Elkins, 2000) Conventional analytical frameworks of economics were developed to quantify understanding of economic phenomena of developing economies in which scarcity, production, and distribution are crucial factors for most people in providing for basic survival needs and “growing the pie” was the means to that end. While this is still the case in much of the world, it is not as true in postindustrial economies where virtually everyone one has food and shelter and value creation is no longer anchored in material production. Even globally, the driving thesis of the Millennium Goals is that we have the means (but perhaps not the collective will) to end poverty. The gap between means and will raises questions about the limits of growth that are glaringly obvious in rich nations; growing the pie benefits the rich more than the poor; our economic and political models institutionalize acquisition more than sharing. The

key to a livable society is not just “more.”

Livability Strategy: Business as an Urban Stakeholder

Stakeholder views of business acknowledge the complex relational context of value creation and trade, but they remain centered in the firm. Similarly, Porter’s model of shared value creation, while championing the economic potential of cities, remains focused on economic growth. As an urban stakeholder, business shares the risks, responsibilities, and rewards of creating the value of a more livable city. While it may be true that multinational companies think on a larger scale about “global society,” every business is constituted by buildings, offices, and human bodies located in specific places, usually cities, and most businesses are small and local, however global their supply or distribution chains. Companies are paper clips, computers, and coffee pots that come from real places that are used by real people – they pay taxes to a certain municipality, live on a city street in a unique neighborhood, and cheer for their kids on a soccer team playing in schoolyard or athletic field not far from where they live.

Most businesses are located in cities and are well aware of their business advantages. For example:

1. Consumer markets
2. Business-to-business opportunities
3. Transportation, communications, and material infrastructure
4. Government and public services
5. Civic culture and social networks
6. Business and financial services

7. Workforce with competitive knowledge and skills
8. Cultural attractions and entertainment venues
9. Schools, health care, and social services
10. Property value and real estate market

Companies also know that they are better off when their cities thrive and prosper. Even a conventional growth capitalism view, espoused by Porter and Kramer, suggests that shared value can reinvent capitalism by focusing on the connections between societal needs and economic progress to unleash waves of growth. (Porter & Kramer, 2011)

Table 2. CSR and CSV: A Comparison

| CSR VALUE: Doing good | CSV VALUE: Economic/social benefits relative to cost |
|---|---|
| <ul style="list-style-type: none"> • Citizenship, philanthropy, sustainability • Discretionary or in response to external pressure • Separate from profit maximization • Agenda determined by external reporting/ personal preferences • Impact limited by corporate footprint, CSR budget | <ul style="list-style-type: none"> • Joint company and community value creation • Integral to competing • Integral to profit maximization • Agenda is company specific/internally generated • Realigns the entire company budget |

Business as an urban stakeholder: Civic engagement

In viewing livable cities as the locus of sustainable value creation, the stakeholder view of the firm is re-centered to a stakeholder view of the city in which business is a vital agent in creating an environment in which people and their various endeavors can sustainably thrive. An urban stakeholder view of business assumes that businesses have a stake in the survival and flourishing of the people who are also their stakeholders. Civic engagement is a method of

forming long-lasting partnerships with government agencies, civic groups, and/or other businesses to create shared value for the city while simultaneously boosting the value creating power of each partner. It literally means getting involved with a city and becoming a vital, active stakeholder in its present and a builder of its future. American cities have a long and strong history of civic engagement originating in the grueling, creative, and risky work of building cities and towns out of prairies, woodlands, and swamps all across the continent. Corporate civic engagement depends on strong relationships of trust that go well beyond aligning CSR with business strategy, which is focused on the firm rather than a broader vision of its value in society including, but not limited to, its products. Porter and Kramer offer illustrations and examples of shared value creation, and points of intersection between societal value and corporate value (energy use, environmental impact, employee health, worker safety, water use, employee training), but do not focus on fundamental ways in which a shared value model of business changes the relationships between business and cities. In fact, the shared value model does not explore the future of a transformed city, no longer undervalued, that no longer offers the cutting edge growth opportunity of an undervalued asset. Will firms be expected to explore investing in the next round of undervalued cities?

Corporate civic engagement is a long-term strategy for urban business stakeholders to identify and target points of intersecting values as potential opportunities for shared value creation. In contrast with the “urban growth machine” strategy, civic engagement requires building and maintaining sustained relationships between businesses and cities that may, in the short term, incur risk or even loss. This approach aligns more closely, however, with a stakeholder view of value creation and trade in an uncertain, turbulent global economic environment. Rather than viewing cities as markets or assets to exploit for business purposes, an

urban stakeholder view builds relationships of trust and shared commitment to sustainable value that are intended to withstand the disruptions of unforeseen change by solving problems and adapting to change collaboratively with human flourishing as the telos of wealth creation.

Concluding Remarks

This paper argues that the creation of livable cities in the next century is an opportunity for business to demonstrate a new ethos of social responsibility, outlining how taking advantage of this opportunity will require businesses to rethink their understanding of wealth and their relationships with cities in creating wealth. Given the rapid, inexorable pace of urbanization, cities are inevitably the locus of future value creation. As urban stakeholders, businesses will be more effective agents of sustainable value creation if they focus on human flourishing as both the means and end of wealth; this, in turn, entails an understanding of and engagement with the urban human environment as a primary determinant of human flourishing. Building on ample evidence and expertise from multilateral, academic business, and other sources, the author demonstrates how livable cities can provide a means for evaluating and benchmarking socially responsible wealth creation. The Livable City Index, devised as an integrated framework of multilateral sustainability policy goals and the human capabilities approach to development, is presented for consideration as a tool for businesses and other urban stakeholders to evaluate and plan cities as environments of wealth creation for human flourishing.

This paper is written in the hope that urbanization and globalization, with all their challenges, will bring out the best in business and in the cities that provide much of their talent, investors, leaders, and markets. While some post-industrial cities surely appear to be in decline

and other emerging-economy cities face enormous hazards, the urbanization trend points towards a future almost certain benefit of shared value creation through collaboration. Talent is everywhere and smart business leaders who are committed as urban stakeholders to making their cities more livable will find that talent and know how to use it.

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APPENDIX: Nussbaum's Human Capabilities Framework (Nussbaum, 2003)

1. *Life*. Being able to live to the end of a human life of normal length; not dying prematurely, or before one's life is so reduced as to be not worth living.
2. *Bodily health*. Being able to have good health, including reproductive health; being adequately nourished; to have adequate shelter.
3. *Bodily integrity*. Being able to move freely from place to place; being able to be secure against violent assault, including sexual assault; having opportunities for sexual satisfaction and for choice in matters of reproduction.
4. *Senses, imagination, thought*. Being able to use the senses; being able to imagine, to think, and to reason--and to do these things in a "truly human way" informed and cultivated by an adequate education, including, but by no means limited to, literacy and basic mathematical and scientific training; being able to use imagination and thought in connection with experiencing, and producing expressive works and events of one's own choice, religious, literary, musical, and so forth; being able to use one's mind in ways protected by guarantees of freedom of expression with respect to both political and artistic speech and freedom of religious exercise; being able to have pleasurable experiences and to avoid nonbeneficial pain.
5. *Emotions*. Being able to have attachments to things and persons outside ourselves; being able to love those who love and care for us; being able to grieve at their absence, to experience longing, gratitude, and justified anger; not having one's emotional developing blighted by fear or anxiety. (Supporting this capability means supporting forms of human association that can be shown to be critical to their development.)

6. *Practical reason.* Being able to form a conception of the good and to engage in critical reflection about the planning of one's own life. (This entails protection for liberty of conscience.)

7. *Affiliation.*

A. Being able to live with and in relation to others, to recognize and show concern for other human beings, to engage in various forms of social interaction; being able to imagine the situation of another and to have compassion for that situation.

(Protecting this capability means protecting institutions that constitute and nourish such forms of affiliation, and also protecting the freedom of assembly and political speech.)

B. Having the social bases of self-respect and nonhumiliation; being able to be treated as a dignified being whose worth is equal to that of others. This entails provisions of nondiscrimination on the basis of race, sex, sexual orientation, ethnicity, caste, religion, national origin.

8. *Other species.* Being able to live with concern for and in relation to animals, plants, and the world of nature.

9. *Play.* Being able to laugh, to play, to enjoy recreational activities.

10. *Control over one's environment.*

A. *Political.* Being able to participate effectively in political choices that govern one's life; having the rights of political participation, free speech and freedom of association.

B. *Material*. Being able to hold property (both land and movable goods), and having property rights on an equal basis with others; having the right to seek employment on an equal basis with others; having the freedom from unwarranted search and seizure. In work, being able to work as a human being, exercising practical reason, and entering into meaningful relationships of mutual recognition with other workers.