If that city's where the boys are, then it has to be fabulous

The size of the gay population is the best measure of a great place to live, write Andrew Leigh and Justin Wolfers.

What sets apart the world's great cities? While the leading metropolises - Paris, London, Berlin, Rio, and San Francisco - are all cosmopolitan, vibrant and exciting, what is it that makes them so special? Closer to home, how can we compare Sydney's brilliant beauty with the cafes of Melbourne, the beaches of Brisbane, and the laidback lifestyle of Perth?

A standard response is that you get what you pay for. By this reasoning, the easiest way to judge city quality is to look at housing prices. But economists have long objected that prices reflect not only whether a city is a nice place to live, but also the quality of local jobs. So we might think that Sydney's land prices reflect what David Williamson once called her "sub-tropical abundance", while Canberra's property market is driven by proximity to government jobs.

Another attempt to compare city quality came earlier this year in a survey by William M. Mercer, a consulting firm. Mercer ranked the world's cities according to 39 factors, including political stability, air pollution, traffic congestion, health care and restaurants. However, how you weigh these factors almost certainly determines which city comes out on top.

How else to measure city quality? Writing in the latest issue of the Journal of Urban Economics, four bright sparks in the US - Dan Black, Gary Gates, Seth Saunders, and Lowell Taylor - believe they have cracked this nut. They argue that if you want to know which city has the best amenities, just look at the gay population.

And size matters. The argument is simple. Gay men do not have children, and hence they have more money to spend on the finer things in life, including living in the hippest
locations. As such, they tend to congregate in cities where the living is good. So we should expect gay cities to be fabulous cities. The four economists’ careful analysis of census data finds strong support for their theory within the United States, where San Francisco and Washington have the highest proportion of gay residents. Interestingly, city quality is a more powerful predictor of where gay men live than differing degrees of homophobia. Outside the US, the nexus between city quality and the proportion of gay residents also appears to hold true for most of the world's great cities.

How does Sydney measure up? Firm numbers are hard to come by, but it has been claimed that Sydney is the gayest city in the world. This may itself further improve the city - not only do we enjoy the gentrifying areas of Paddington, Surry Hills and Newtown, but the annual Sydney Gay and Lesbian Mardi Gras is a spectacle all of its own. Moreover, those families that have children benefit from a group who pay their taxes, but do not further crowd their schools.

Of course, the gay index only reflects amenities that adults value - hip locations, nice weather, restaurants and theatre. So Melbourne can boast about her grassy suburbs, affable neighbourhoods, and other “family friendly” features. But on the sexuality and the city test, Sydney is queen.

So next time you see two men holding hands, give them a smile, for they are our proof that Sydney is indeed Australia’s most livable city.

Andrew Leigh is a Frank Knox Scholar at the Kennedy School of Government, Harvard University. Dr Justin Wolfers is an Assistant Professor at Stanford Business School.