New York Faces a Texas Challenge

In 1976 a Saul Steinberg illustration appeared on the cover of The New Yorker that neatly captured Manhattan's egocentric view of itself vs the rest of America. Squint your eyes to spot "Texas" as a footnote between the Hudson River and the Pacific.

Fifty years later, that footnote has become the story.

From Wall Street to the Sun Belt

A recent report by the Partnership for New York City (Texas's Competitive Edge | Partnership for New York City) presents a clear warning: Texas has built a durable competitive advantage over New York not because of a single policy, but because of a coordinated system of incentives, legal reforms, workforce growth, and infrastructure alignment. The report emphasizes that Texas's advantage is not simply lower taxes. The state has developed what the Partnership describes as a "multi-pronged approach" combining legal, regulatory, and economic development tools designed to attract long-term investment. This coordination matters because companies increasingly make location decisions based on predictable regulatory environments, cost structures, and growth opportunities rather than legacy prestige or historical industry clusters.

One of the report's central warnings is that economic competition between states now operates more like industrial policy than traditional market competition. Texas is intentionally designing policies to attract capital and employment, while New York is responding more reactively.

Evidence: Corporate Relocations and Employment Shifts

The most striking quantitative evidence in the report concerns company relocations and workforce growth:

- 314 companies moved their headquarters to Texas between 2015 and 2024
- Texas surpassed New York in financial services employment in 2024
- Financial services job postings in Texas exceeded New York's by about 9% in 2025

These numbers illustrate what the report calls "headcount drift." The Partnership explicitly argues that the risk to New York is a steady erosion of marginal growth in industry clusters, jobs, and investment capital. Over time, these incremental decisions compound into structural economic change.

The report also highlights a nuanced distinction between productivity and growth. While New York remains more productive overall (New York financial services output exceeds Texas by 71%) Texas's financial services sector grew 121% over the decade…New York's grew 72% over the same period.

Institutional is Reducing Friction

Another major theme in the report is the emergence of a superior financial and legal infrastructure in Texas. Examples include the creation of a specialized Texas business court system, and the launch of the Texas Stock Exchange. These developments matter because they reduce friction for companies considering relocation or expansion; New York's dominance in finance has long depended upon an institutional concentration of legal, talent and regulatory networks, now threatened by Texas.

Texas also deploys targeted financial incentives to attract large investments, including programs like the Semiconductor Innovation Fund and Texas Enterprise Fund. Between 2003 and 2024, the Texas Enterprise Fund alone awarded over $878 million to 213 projects, helping to generate more than 127,000 jobs. These incentives function as "deal-closing" mechanisms—tools that allow the state to win competitive site selection decisions.

A Case in Point: Where Data Centers Fit into the Competitive Framework

The AI revolution is nothing short of a generational pivot in economic geography. The development of data centers is central to this insurgence; in practical terms, allowing data center development is the gateway to allowing digital industrial capacity. However, more than a dozen states in the US (including New York) are now actively trying to block data center development via moratoria, slowed approvals and/or restricted power connections.

We at Bow River would say that the NYC Partnership report's logic applies here.

1. **Data Centers Require Regulatory Permission and Infrastructure.** Large data centers depend on massive electrical capacity; water access; land availability; fast permitting; and stable regulatory environments. States—like Texas—that streamline approvals gain a structural advantage.

2. **Texas Has Positioned Itself as a Data Center-Friendly Jurisdiction.** Across the U.S., data center construction is accelerating rapidly:

   - Construction starts reached $77.7 billion in 2025, a 190% year-over-year increase
   - Demand is expected to grow 20–25% annually through 2030

Texas has emerged as one of the states most willing to accommodate this growth due to abundant energy supply, permissive land-use policies, and coordinated economic incentives. This regulatory divergence effectively makes Texas one of the few large states where hyperscale data center expansion can proceed quickly. Texas is building the institutional infrastructure of modern finance while New York debates whether to permit it. In the AI era capital—and jobs—will migrate to where they are wanted.

Bow River is proud to claim Texas as the capital of the Rodeo Region™: the next generation of economic growth.

IMPORTANT INFORMATION

Rodeo Region is defined as 14 states located across the U.S. Mountain West, Midwest, and the Southwest.