

The Emerging Offshore Software Industries and the U.S. Economy

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The spectacular growth of the software industry in emerging economies, in particular in India, has aroused both interest and concern. In this paper, I explore some commonalities among the success (in software) stories for India, Ireland, and Israel. Since it took an extraordinary confluence of events for export-oriented software industries to develop in India, Ireland, and Israel, I conjecture that other countries will have a difficult time replicating those circumstances. I also do not expect large-scale relocation of software design and R&D overseas from the United States as long as the United States remains an attractor for human capital from the world over. It has many large and sophisticated buyers for innovative software, and U.S. institutions encourage innovation and risk taking.