

Landsburg, Steven E. 2007. More Sex is Safer Sex: The Unconventional Wisdom of Economics. New York, NY: Free Press, pp. 205–207.

An Outsourcing Fable

Once there was a man who invented a new and cheaper way to analyze MRI data. Medical costs fell, and more people got better care. The invention put some radiologists out of work, but even that had its upside—after a little retraining, the radiologists moved into other specialties where their talents were much appreciated.

Our inventor was hailed as a national hero—the new Thomas Edison. Oh, the radiologists grumbled, but almost everyone else recognized that you can't have progress without a bit of dislocation—just as candlemakers had once grumbled about Edison's electric lightbulb, but everyone else applauded it.

Soon the famous inventor was receiving MRI data from all over the country and running it through his marvelous new analyzing machine, the workings of which were shrouded in secrecy. But one day, an investigative reporter tracked down the inventor's disgruntled former assistant and learned that the great "invention" was nothing more than a \$600 laptop computer connected to the Internet. The so-called inventor emailed data to Asia, where it was analyzed by low-paid Asian radiologists. They emailed back their reports, which he advertised as the output from his machine.

The nation was outraged. The man was not an inventor at all; he was nothing but an outsourcer! And all those American radiologists out of work! New York's Senator Chuck Schumer wrote an op-ed piece in the New York Times bemoaning the evils of outsourcing and using the fate of the radiologists as his prime example.

Somehow, everyone managed to overlook the fact that it didn't make a bit of difference whether the MRI data were being shipped to Asia or analyzed right on the inventor's desktop. The advantages of outsourcing were exactly the same as the advantages of the mythical invention. But in their rush to stem the evils of outsourcing, everyone lost track of those advantages.

That, of course, is a fable—an adaptation of a fable written long ago by Professor James Ingram of the University of North Carolina. But the fable overlaps with reality. It's true that in the near future Asian radiologists will be able to analyze MRI data over the Internet at a fraction of the current cost. And it's true that Senator Schumer had a recent op-ed piece in the *New York Times* decrying that development because it will mean fewer jobs for American radiologists.

Who would have expected to see a Democratic senator protesting a genuine reduction in medical costs that's good for just about everyone, except a group of highly paid specialists who might have to retrain if they want to stay socially useful? In the same article, Senator Schumer speaks out on behalf of \$150,000-a-year American software engineers who face competition from Asians who can do the same job for \$20,000 a year. It is a sure bet that the consumers who will benefit from that competition earn, on average, far less than \$150,000. But rather than rejoice for those consumers, the senator takes his stand with a small group of highly paid professionals who would prefer to continue being highly paid, even as they continue working in an area where their skills are no longer needed.

Obviously, Senator Schumer does not understand the moral of our fable. Just to spell it out for him, the moral is this: outsourcing work is, from an economic point of view, *exactly the same thing* as discovering a new technology. If you can ship your problems abroad and have them come back solved, that's exactly as good as feeding your problems to a new kind of machine and having solutions pop out the other end. New trading patterns, like new inventions, can require some social adjustment, but the benefits almost always outweigh the costs. If you cheer for progress, then you must cheer for trade.