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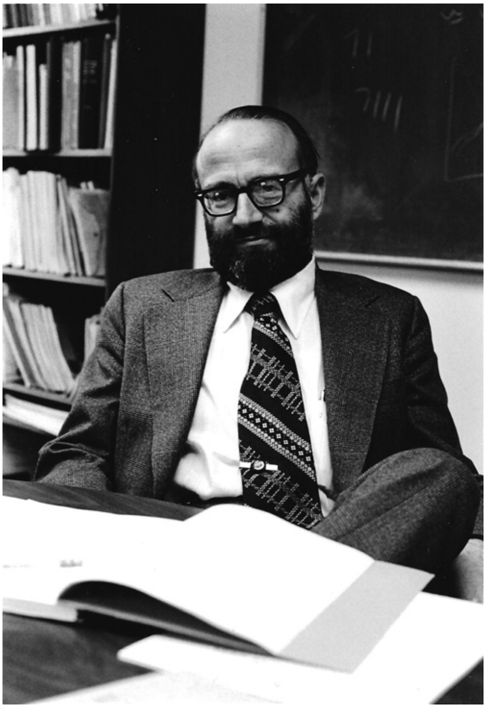
ROBERT E. LIPSEY
(1926–2011)



Robert E. Lipsey died on August 11, 2011 at the age of eighty four. Over his long career, he made major contributions to the measurement and understanding of international price levels, international trade flows, multinationals and foreign direct investment. Lipsey played important roles in the NBER's Conference on Research in Income and Wealth and the International Association for Research in Income and Wealth (IARIW). He acted as a consultant to U.S. government agencies such as the U.S. Bureau of Economic Analysis and international agencies such as the United Nations. He also worked to improve and make available firm level data. As a teacher, Lipsey was a lecturer at Columbia from 1961 to 1964. He taught at Queens College from 1967 to 1995. He was a member of the faculty at The Graduate Center of the City University of New York and a Ph.D. dissertation advisor up to his final days.

Robert Lipsey grew up in the Bronx, New York. His father Meyer Lipsey was in the laundry supply business. His mother Anna was a home maker. Both parents were born in Russia. After graduating from the Bronx High School of Science and taking courses at the Juilliard School of Music, Lipsey received a B.A. from

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Columbia University and began graduate work. On a recommendation from his professor Arthur Burns, he joined the National Bureau of Economic Research (NBER) as a research assistant in 1945. He was eighteen years old. Lipsey was to spend the next sixty-six years at the NBER. Initially, he worked in the business cycle dating unit as an assistant to Geoffrey Moore. After three months he transferred to work with Solomon Fabricant, a member of the NBER research staff and one of the original members of the Conference on Research in Income and Wealth This resulted in a study on government spending “The Trend in Government Activity in the United States Since 1900” (Fabricant and Lipsey, 1952) where following the NBER convention of the time authorship was listed as Solomon Fabricant assisted by Robert E. Lipsey. Sixty years later, the book remains a standard reference. In 1954, Lipsey began his own project on price and quantity trends in US Foreign Trade. The research led to his Columbia PhD thesis in 1961 and was published as an NBER volume in 1963 (Lipsey, 1963).

Lipsey’s approach to research was formed by his experiences at the NBER. During the 1950’s the NBER staff included Milton Friedman, Raymond Goldsmith, John Kendrick, George Stigler and Simon Kuznets. These were economists of the highest caliber engaged in path breaking empirical research. There were two crucial features of the NBER approach to empirical research. First, the NBER devoted substantial resources to economic measurement and to the creation of new series. Examples include the NBER series on national income constructed by Simon Kuznets, the estimates of financial flows and sectoral balance sheets by Raymond Goldsmith and the measurement of total factor productivity by John Kendrick. Second, the NBER subjected all its work to remarkably intensive review before publication. Each number was checked, cross checked and checked again by experienced professional research assistants before it underwent a rigorous in house refereeing process. The result of this system is that publication lags were long but quality and reliability were high. As mentioned, Lipsey began his work on price trends in US trade in 1954. It would not be published for nine years. Yet the rewards of the NBER approach were lasting. Lipsey’s estimates and their updates Lipsey (1971, 2000) remain the industry standard. The careful approach to data construction and interpretation that he learned at the Bureau remained with him for the rest of his life. He would pass it on to his students and collaborators.

As the years went by the Bureau’s efforts in terms of data creation were superseded by statistics produced by government and non-profit agencies and the focus of the NBER changed. Hence much of Lipsey’s energy after the 1960’s was devoted to journal publications. His first journal articles appear in 1967, co-authored pieces with Irving Kravis and J. T. Juster (Kravis and Lipsey, 1967 and Lipsey and Juster, 1967), in the *American Economic Review* and the *Economic Journal* respectively. Over the next four and a half decades he authored and co-authored a long stream of journal articles, book chapters, working papers, comments and book reviews.

Given its volume and its varied topics, it is difficult to summarize his research. We can, however, identify several broad themes. The first is the investigation of international prices which begins with the work that became his thesis “Price and Quantity Trends in the Foreign Trade of the United States” (Lipsey, 1963). The goal of this research was to provide comprehensive price and quantity indexes of

U.S. imports and exports for the years 1879 to 1913, a period for which the U.S. Department of Commerce indexes were inadequate and unreliable. He continued this line of research with his friend and mentor Irving Kravis of the University of Pennsylvania. Their early efforts focused on the measurement of export and import price levels (see Kravis and Lipsey, 1967, 1969, 1971). They showed that the law of one price often did not hold. They also found that unit values in international trade are good estimates for primary commodities but not for manufactured or processed goods. Finally, their research features one of the first applications of hedonic techniques that are now standard in the field.

Lipsey also worked with Kravis on issues surrounding the International Comparison program.[1] Their work on why overall price levels are higher in developed economies (Kravis and Lipsey (1983, 1988)) has proved particularly influential. Using price data from the International Comparison Program, they found that price levels of tradables rise as income rises and the ratio of prices of tradables to non-tradables decreases as income increases. They concluded that much of this pattern was due to the higher labor intensity of services. Kravis and Lipsey's findings are now part of the conventional wisdom. We can illustrate the quality and longevity of their work in this area by noting that the questions raised by their 1991 survey paper "International Comparison Program: Current Status and Problems" concerning measurement error in real GDP comparisons, and whether growth rates should be calculated in domestic or international prices remain central to current debates. His later work with Birgitta Swedenborg (1996, 1999, 2010) continued this line of research, analyzing factors that contribute to cross-country price differences of individual products, both goods and services.

The second major theme of Lipsey's research concerns the effects of foreign direct investment (FDI). Lipsey was one of the first international economists to have a micro view of FDI as compared to the traditional view of FDI as a flow of capital across international boundaries. Lipsey viewed FDI as a set of economic activities or operations carried out in a host country by firms controlled or partly controlled by firms in another country. According to Lipsey with hindsight "*What moves from country to country when a direct investment takes place is not primarily physical capital or production capacity, but rather intellectual capital, or techniques of production, unobserved and unmeasured*. (Lipsey, 2004 p. 341)."

Lipsey's pioneering research looks at the impact of foreign direct investment on production, competitiveness, employment and wages. He began his work on FDI with papers on the relation between foreign production and exports in U.S. manufacturing. Lipsey and Weiss (1981, 1984) found that the level of activity of U.S. manufacturing affiliates in a country is positively related to U.S. exports to that country. He coined the concept of the comparative advantage of a source country's multinational firms in early work with Kravis (Kravis and Lipsey, 1987). He refined this line of research in a series of important papers with Magnus Blomström and others (Blomström, Lipsey and Kulchycky, 1988; Blomström and Lipsey, 1989; Kravis and Lipsey, 1992; Blomström, Fors and Lipsey, 1997) in

[1]Kravis was instrumental in the setting up of the International Comparison Program. Kravis and Lipsey (1987) began an important-but-interrupted strand of the program by studying the measurement of comparative capital formation . Lipsey returned to this topic occasionally, most recently with Kirova (Kirova and Lipsey, 1998).

studies of the export performance of U.S. and Swedish multinationals. They found that the export shares of home based multinationals increased as multinationals shifted their production for export to the host countries (Blomström, Lipsey and Kulchycky, 1988 and Blomström and Lipsey, 1989, Blomström, Fors and Lipsey, 1997). Lipsey, Ramstetter and Blomström (2000) extended this work to Japanese multinationals.

Moving to wages, his work with various co-authors found that higher levels of foreign direct investment are associated with higher wages within foreign owned firms with little evidence of spillovers to domestic firms. The widely cited paper by Aitken, Harrison and Lipsey (1996) found these results for Mexico, Venezuela and the United States. His later work on foreign direct investment and wages include Feliciano and Lipsey (2006) for the US and Lipsey and Sjöholm (2004, 2006) for Indonesia. His research with Sjöholm on Indonesian FDI showed that foreign firms pay higher education wage premiums.

Some of his last work on foreign direct investment returned to his long standing interest in measurement. "Measuring the Location of Production in a World of Intangible Productive Assets, FDI and Intra-Firm Trade," (Lipsey, 2010) argues that international trade especially in the service sector is increasingly measured with error due to the growing share of intangible and financial inputs, for which location is difficult to define and because income is often mis-reported to minimize taxes. Lipsey received the Kendrick Prize Award in 2012 posthumously for this paper.

A third strand of Lipsey's research relates to his work to improve the quantity and quality of data available to researchers. These efforts begin in the 1960's where Lipsey and Kravis advised the Department of Commerce on how to prepare index numbers of international trade prices. Later on, he partnered with Feenstra and others (1997, 2005) to create the NBER-UN Trade data for World Trade Flows: 1962–2000. These are U.N. trade data that have been revised to produce 4-digit SITC series that are more accurate and incorporate missing values.

We should note that Lipsey had a particular interest in microdata. As early as 1978, Lipsey (1978) used public and private sources to create a micro dataset of individual enterprises and establishments with data from the early 1950s to the early 1970's. Probably his most lasting contribution in this area was his success in getting the BEA to make available for academic research their confidential data on multinational firms giving rise to a thriving research program at the BEA.

In addition to his scholarly writing, Lipsey made many contributions to the broader community of scholars. In his capacity as Director of the New York office of the NBER and as an active member of the NBER International Trade and Investment group he encouraged empirical research in international economics and he mentored generations of talented empirical researchers. He was a long-standing member of the NBER conference on Income and Wealth. He served on its executive committee and he co-organized three conferences, Volume 52 edited with Helen Stone Tice (Lipsey and Tice, 1989), Volume 59 edited with Robert E. Baldwin and J. David Richardson (Baldwin, Lipsey and Richardson, 1998) and Volume 61 edited with Alan Heston (Heston and Lipsey, 1999). He also participated fully in the activities of the International Association for Research in Income and Wealth (IARIW).

In conclusion, we should note Robert E. Lipsey was a model academic in other ways too. His enthusiasm for economics was undimmed by the passage of time or the changes in the profession. As a colleague he was unfailingly supportive. He was respectful to those who differed with him professionally. He was encouraging to his students. He was generous to beginning scholars and to far-flung editors and program organizers seeking a contribution from him. He was patient with his many co-authors. He was unassuming and kind to all.

Lipsey, who adored his family, is survived by his wife of 62 years, Sally, his daughters, Marion Greenlee, Carol Hersh, and Eleanor Lipsey, and eight grandchildren.

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