Richard Sidney Sayers (1908-1989)

Alec Cairncross and Charles Goodhart

Abstract

Richard Sayers's greatest strength was as an economic historian of institutional changes within the British financial system, especially relating to the Bank of England, for which he became the second official historian covering the years 1891-1944; but also writing the histories of Lloyds and Gilletts, and a wider study entitled *Financial Policy, 1939-45*. Nevertheless, he is best known for two other contributions. First, his textbook, *Modern Banking*, remained required reading on this subject for all British undergraduates from 1937 until the early 1970s; second, he played the major role in the domestic monetary analysis of the Radcliffe Report (1959). This latter role was often not well received, and his historical and institutional approach to the subject began to be treated as unfashionable and outdated, so that Sayers, always a lone introvert, had a somewhat sad end to his life.

Keywords

Banking; Radcliffe Report; money supply; liquidity; war finance; Bank of England; Bank Rate.

Contributors

Alec Cairncross

Alec Cairncross (1911-1998) was a distinguished economist and public servant. His undergraduate degree was in economics at the University of Glasgow followed by a doctorate from Cambridge. Returning to Glasgow, he was appointed lecturer in economics in 1935 and worked in various government departments during and after the Second World War. He became Professor of Applied Economics at Glasgow in 1951, where his focus was on the factors which drive urban and industrial change. Cairncross became an economic adviser to the Treasury in 1961, was knighted in 1967 and was appointed Master of St Peter's College, Oxford, in 1967. He served as Chancellor of Glasgow from 1972 to 1996. Amongst his most important publications were *Introduction to Economics* (1944; six editions) and *Years of Recovery: British Economic Policy, 1945-1951* (1985).

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Charles Goodhart, CBE, FBA, is Emeritus Professor of Banking and Finance with the Financial Markets Group at the London School of Economics (LSE), having previously, 1987-2005, been its Deputy Director. Until his retirement in 2002, he had been the Norman Sosnow Professor of Banking and Finance at LSE since 1985. Before then, he had worked at the Bank of England for seventeen years as a monetary adviser, becoming a Chief Adviser in 1980. In 1997 he was appointed one of the outside independent members of the Bank of England's new Monetary Policy Committee until May 2000. Earlier he had taught at Cambridge and LSE. Besides numerous articles, he has written a graduate monetary textbook, several books on monetary analysis and history, and on banking regulation.

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25 (subject to change)

Richard Sidney Sayers (1908-1989)

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1 Introduction[1]

The Radcliffe Report (1959), otherwise known as the Committee on the Working of the Monetary System (HMSO Command 827, August), was, and remains, the most important examination of monetary affairs in the UK in the decades since the Second World War. The Committee was appointed (by Treasury Minute) on 3 May, 1957; it began taking evidence on 11 July, 1957, and the final date on which evidence was taken

[1] This chapter is derived from Cairncross (1991) and adapted by Charles Goodhart with the permission of the British Academy. In preparing this memoir I [Cairncross] have drawn heavily on the recollections of Leslie Pressnell and Stuart Wilson and have been greatly assisted by Sayers's daughter, Jennifer, his son, Michael, his sister, Mrs Whitaker, and his younger brother Walter. Others who have provided useful information include Theo Barker, Alan Day, Henry Phelps Brown and the Revd Stella Taylor.

was 30 April, 1959; the Report was issued in August. The key members of the Report were Lord Radcliffe, and the two economists on the Committee, Alec Cairncross and Richard Sayers, though the Secretary, Robert Armstrong, also played an important role behind the scenes.

Cairncross, later knighted (1967), was a leading macroeconomist of the day, who had published a widely-used textbook on macroeconomics (*Introduction to Economics*, 1944, sixth edition 1982), but was not a monetary specialist. At this time, Sayers was the preeminent money and banking specialist economist in the UK. His best-known work was his textbook, *Modern Banking*, whose first edition was in 1938, and whose final edition (seventh) came out in 1967. So, it was always going to be likely that Sayers would be chosen as the monetary specialist to be on the Radcliffe Committee. Indeed, these three main protagonists, Radcliffe himself, Cairncross and Sayers, dominated the questioning and both the analysis and substance in the subsequent Report. In this exercise, Cairncross worked for slightly over two years in continuous close conjunction with Sayers.

So when Sayers died in 1989, Cairncross was the natural choice to write the article-length Memoir on his life for the British Academy. Cairncross wrote this Memoir shortly after Sayers's death, published by the Academy in 1991, and had the advantages, not only of their prior close co-operation, but of immediacy and access to colleagues, whilst memories of Sayers remained fresh. This means that Cairncross's Memoir, republished below, with hardly any alterations (thanking the British Academy for their agreement to allow this), contains much more detail than could be put together at this much later date, when many of those close to Sayers at the time have gone.

Perhaps the only advantage that one has, compared with Cairncross's excellent Memoir, is the lapse of time which can allow for a slightly greater perspective, and also may relax some of the constraints about referring to his disposition and personal life.

The conclusions of Radcliffe were contentious. In contrast to the relatively simple proposals and arguments of the growing band of monetarists, under the developing influence of Milton Friedman in the USA, the Radcliffe Report was circumspect and cautious in its arguments about what monetary policy should, or could, do and sought to replace attention on measureable quantities of monetary aggregates with a focus on a largely unmeasurable, indeed hard to define, concept of liquidity. Thus, in the concluding chapter of the Report (Chapter XII, paragraph 981), the Report states:

Secondly, the factor which monetary policy should seek to influence or control is something that reaches beyond what is known as the "supply of money". It is nothing less than the state of liquidity of the whole economy. The behaviour of our economy – in particular, the moderation or pressure of demand from time to time – is influenced by the relative liquidity of potential spenders at any one time, and thus, at one remove, by the liquidity of those who might act as lenders to them or subscribers to their funds.

While the downgrading of the monetary aggregates, and the quantity theory of money, infuriated the monetarists, the fuzziness and lack of clarity of the proposed alternative concentration on 'liquidity' left even the likely supporters of such an approach more than a little bemused. Roger Alford, Sayers's colleague at LSE, commented in his subsequent book, *Life and LSE* (Alford 2009: 223), as follows:

The Report was not well received; it was widely felt to lack a clear and workable framework for monetary policy and this criticism was a great disappointment to Richard. I can remember Lionel Robbins's seminars in the Graham Wallas Room at which the Report was discussed; Richard sat at the back and at every effort to clarify what the Report was really saying, he pursed his lips and shook his head gloomily, implying that yet another speaker had missed the point.

In some respects, with the collapsing reliability of demand for money functions in the 1980s, the subsequent decline of interest in the monetary aggregates, and the growth of 'shadow banking', the emphasis of Radcliffe on a wider but fuzzier concept of liquidity might be better received now than it was in the 1960s and 1970s, when monetarism was the fashionable new idea. But in other respects the methodology and approach that Sayers espoused has been on a steady downhill path since then. His great strength was always as a historian, and his approach to monetary, financial and banking issues was descriptive, institutional and historical, which allowed considerable reliance on quantitative data, but eschewed econometrics, and included virtually no maths or equations whatsoever. This approach had a long pedigree at LSE with Barrett Whale and Sir Theodore Gregory, but this institutional/historical approach became increasingly under threat, not only at universities elsewhere, but even at LSE over the course of subsequent decades. One of the results of this has been that Sayers's main textbook, *Modern Banking*, which had been read by almost every economics undergraduate in the UK from 1938 to the mid-1970s, is now rarely read or cited.

Sayers's reputation as a money and banking *historian* remains, however, undiminished, and the many historical works that he produced, which are described in Cairncross's Memoir – notably *Bank of England Operations, 1890-1914*, *Financial Policy, 1939-45*, *Central Banking after Bagehot*, *Lloyds Bank in the History of English Banking*, *Gilletts in the London Money Market*, and*The Bank of England, 1891-1944* – remain the most important accounts of such historical developments. Also, the many current studies which he did then, often in conjunction with his student, J.S.G. Wilson, e.g. on *Banking in the British Commonwealth*, although somewhat stodgy, remain valuable documents about how the institutional set-up of central banks and banks in a wide variety of countries operated at the time. So Sayers remains a foremost banking historian.

For the rest, he was even perceived at the time as becoming somewhat old fashioned, and the historical/institutional approach has been largely put on one side to be replaced by much more rigorous mathematical models, though ones which tend to assume a given and constant institutional background and whose underlying assumptions often hardly bear detailed scrutiny.

In addition to being technically old fashioned, Sayers was not a man to engage in easy collegial activities. Face to face he was not an easy person, but he was a great help to many during their careers in numerous ways. On paper he was able express a warmth that so often eluded him in personal meetings. He was intensely private, withdrawn, proud at what he had done, and introverted. I was myself a member of Sayers's Money Group for a couple of years, 1966-1968, at LSE, and I had a good relationship with Richard and was able to talk with him on several occasions; but, in general, people approached Richard with trepidation, and he did not participate in standard academic socialising, as this paragraph from Roger Alford's book records:

In 1968, Richard Sayers retired and there was the customary retirement dinner for him; it was felt that, in his withdrawn way, he might decline to attend, so his wife guaranteed to get him there on time without him knowing what was coming. It was not a very cheerful occasion. Many of us felt that he was retiring as a disappointed man; the Radcliffe Report, of which he was a leading figure, had not been well received and had failed to make an impact on monetary thinking and monetary policy (Alford 2009: 324).

Things then went from bad to worse. After retirement he left his wife for a woman who had been his research assistant for his historical book on Gillett Brothers, thereby alienating his family. He ended up in a down-at-heel house at Clacton-on-Sea, increasingly concerned that he was losing command of his intellectual faculties, and upset that the tradition of historical and monetary scholarship that he had maintained at LSE was under threat. It was an unhappy ending for a man who had been a true scholar in his chosen field.

2 Early Life

Richard Sidney Sayers was born in Bury St Edmonds in Suffolk on 11 July, 1908. He prided himself in afterlife on being a Suffolk man and looked forward to retiring to Suffolk. He did in fact move to Long Melford a year or two after his retirement, although reluctantly he moved on again later, first to Essex and then to Sussex.

Of the seven children in the family Richard was the fifth. The oldest, a boy, died in infancy. Then came a girl, four boys and another girl. Richard's oldest brother, Frank, worked in Lloyds Bank, whose history Richard subsequently wrote. Another brother became a squadron leader in the RAF. Richard was the only one to attend university. His older sister, Margaret, who studied economics at night school and may have kindled his interest in the subject, might also have gone to university but was unable to take up a place at LSE which she won, along with a gold medal, in a Royal Society of Arts examination.

The family belonged to the lower-ranking part of the professional class, Sayers's father, Sidney James Sayers, describing himself on the birth certificate as County Council Finance Clerk. He had attended night school like his daughter and trained as an accountant, working for 40 years as West Suffolk County Accountant in Shire Hall at Bury. Something of Sayers's father's concern with accounting shows up in his son's precise analysis, in balance sheet terms, of the successive effects of a change in a bank's cash reserves on its lending operations.

Sayers went to a succession of schools in Bury from 1912 to 1926, the last nine of those years at West Suffolk County School. He was inclined to speak disparagingly of the school despite being Head Prefect for two years (he retained many of the characteristics of a Head Prefect all his life). He showed no great interest in sport, although his older brothers were in the soccer First XI. But when taunted again and again at the age of 14 or 15 with his inability to play football and match their achievements, he rounded on the pack with a tremendous outburst of temper, pledging his selection on merit by a fixed date when he would play and play well. Although he was listened to with scorn and disbelief, he abandoned his books, trained regularly and hard, took all the knocks without complaint and was duly selected to play by the date he had set without any favouritism on the part of the selectors. He played in one game with grit and determination, then abandoned football for good, telling the headmaster the full story and asking that he should never again be selected. 'My studies' he declared 'are more important'.

When it was decided to enter him for Cambridge, the 'local university', he found it necessary to go to a crammer for 'Little-Go' as he had no Latin. He had, however, been able to begin the study of economics in his final year and in the summer of 1926, before he went up to Cambridge, he was already reading Marshall and Taussig in preparation for Part I of the Economics Tripos. In December of the previous year he had sat the Scholarship Examination for Gonville and Caius College and been placed in the Exhibition Class in History. Neither Caius nor St John's (to which he had also applied) could take him before 1927 but he was offered and accepted a place at St Catherine's.

Throughout his life Sayers hesitated between economics and history and the hesitation was evident in his proposed course of study at Cambridge. He had intended to take Part I of the Tripos in Economics and Part II in History but ended up taking both Parts of the Economics Tripos, graduating in 1929 with a First in Part II. Nevertheless, he retained his interest in history and his closest associations when on the staff of LSE were with scholars who showed the same liking for a combination of history and economics: Barrett Whale and Theodore Gregory in pre-war days and T.S. Ashton after the war.

At Cambridge he was tutored by Gerald Shove, now a rather obscure figure but in his day one of the most powerful and original minds in economics. Sayers attended Keynes's lectures at a time when he was lecturing from the proofs of *A Treatise on*

Money and was duly awed by the great man who made him a member of his Monday night 'Keynes Club'. In later life, however, he was a follower of Dennis Robertson rather than of Keynes and it was to Robertson that he habitually sent drafts of his work before publication.

During his studies at Cambridge Sayers became attached to an old friend and form-mate from Bury, Millicent Hodson (the school was coeducational) and in September 1930, a year after graduation, they were married in Bury Cathedral. He then embarked on a year of graduate study at Cambridge while his wife taught in a school in Dry Drayton. Later, she devoted herself to helping her husband with his writing and bringing up two children, a boy and girl. Sayers did not involve her much in academic contacts and, in post-war years at least, his colleagues hardly ever saw her.

3 Starting as an Academic

In 1931 Sayers was appointed as an Assistant Lecturer at LSE where his main duty was to assist Barrett Whale. It was an association to which he looked back with pleasure for 'the rich and generous source of ideas, inspiration and encouragement' (Sayers quoted in Robertson 1951: 440) that Barrett Whale provided and the debt was acknowledged wholeheartedly in successive editions of *Modern Banking*. It was at LSE that Sayers began to learn about banking, working with Barrett Whale and Gregory and taking part in seminars with a team from the City who later co-operated to produce a very early study of comparative banking in a variety of countries entitled *Commercial Banking Legislation and Control* (Allen et al. 1938).

Sayers remained at LSE for four years before moving to Oxford as a college lecturer, holding appointments at Corpus Christi, Exeter and Pembroke and becoming a Fellow of Pembroke in 1939. He had used his time at LSE to conduct extensive research on monetary policy before the First World War, making thorough use of money market reports in *The Economist* and *The Statist* but without the access to Bank of England records subsequently accorded to Clapham when preparing his official history of the Bank up to 1914. He had applied, with Gregory's help, to be allowed to consult the Bank's records and, although Montagu Norman refused, it seems to have been this that put into his head the idea of having an academic like Clapham prepare a history of the Bank for its 250th anniversary in 1944. If so, Sayers played a key part in opening up the archives of the Bank.

Bank of England Operations, 1890-1914, which was published in 1936 when Sayers was already in Oxford, is not perhaps one of his major works but it established his reputation as a monetary historian. Unfortunately, the type of the book was destroyed in wartime bombing and this – and the war itself – limited the attention it received. In the originality and meticulousness of the research, the organization of the material and the clarity and elegance of the exposition it is a model of its kind. The evidence is carefully marshalled from scattered sources and woven into a clear line of argument with no attempt to claim more than can be demonstrated.

Sayers provided convincing evidence of the wide difference between the conventional view of the working of the pre-war gold standard and the actual course of events. Instead of a smooth and more or less automatic mechanism of adjustment to balance of payments pressures through variations in Bank Rate, Sayers showed that even in its heyday the international gold standard ‘worked under disadvantages of the same kind, though not to the same degree, as [regimes] of post-war years’. With tariffs, war debts, reparations and political insecurity it was ‘remarkable that the gold standard ever worked at all’ (ibid., xx-xxi). ‘Even if there was a much smaller supply of internationally mobile funds...our fathers and grandfathers must have been less sensitive, less ready to take fright at the succession of shocks which occurred’ (ibid., xxii).

Sayers went on to show what difficulties the Bank of England had in maintaining the convertibility of the currency. It could neither afford large reserves nor was its power over market rates of interest assured. On the contrary, it had to resort to all kinds of shifts to bring rates closer to Bank Rate and find other ingenious devices to protect its gold reserves by placing obstacles in the way of withdrawals.

Once at Oxford, Sayers embarked on the more ambitious project of writing a textbook on *Modern Banking*. First published in 1938, this was and remained the outstanding textbook on banking operations and on the practical and institutional aspects of banking. A strong motive in writing it, he once remarked, was the approaching birth of his first child and the usefulness of additional income; this was by no means the only occasion on which he responded to the prospect of a flow of royalties.

It was written at a time of upheavals both in theory and in economic activity. There was an intense interest in monetary problems and never-ending controversy over the revolutionary new ideas that kept appearing. The Macmillan Committee had issued its report at the beginning of the decade. Book after book on money and banking by

Keynes, Robertson, Hawtrey and other leading economists was published in the next few years. It was no mean task in these circumstances to synthesize and summarize ‘current theory’ and produce what Sayers described as a ‘restatement of ideas which are the subject of agreement among most economists’; the ‘restatement’ required the same kind of intellectual effort as the works synthesized. Sayers’s aim was to write a textbook on banking that would help honours students ‘to understand how this important part of the economic system really works nowadays’. These comments were included in the Preface to the first edition of *Modern Banking* in 1938, but were restated in the Preface to the first few editions written after the war, notably on page six of the Preface to the third edition published in 1951; this indicates that Sayers himself attached particular significance to these two passages. In the volume, Sayers confined himself largely to English institutions with occasional references to American practice but little on other countries except a chapter on banking in the developing countries. In the first edition he also dealt with the international monetary system, the stock market and the nationalization of the banks but these chapters had largely disappeared by the third edition in 1951.

With *Modern Banking* Sayers became an internationally recognized economist. The book was for many years the standard work in Britain and indeed in many other countries, ran to seven editions, each largely rewritten. The last, in 1967, was said a few years ago to be still in use in India.

Although Sayers made little claim to originality, no good textbook can be a mere summary of other people’s ideas and *Modern Banking*, which was decidedly a good textbook, gave expression to many original thoughts that are prominent in Sayers’s later writings. By the second page he was already presaging that emphasis on liquidity which some readers of the Radcliffe Report were later to find so baffling: ‘The economic significance of a change in the supply of money’, he maintained, ‘is based on the disturbance of the liquidity-distribution of the public’s assets’ (ibid., 2). By page 3 he was explaining how the supply of money can respond to a change in the demand for it, as when an individual is moved to borrow from a bank in order to make an advantageous purchase. Another example occurs in his discussion of the interaction of short- and long-term rates of interest. Well before Mr Dalton, he urged that ‘to maximize the effect in pushing up gilt-edged prices...the banking policy of low short-term rates should be accompanied by propaganda such as we had in 1932’ (ibid., 155). Finally, there is an indication of his later scepticism about monetary policy in his statement that ‘I know of no case in monetary history of a dear money policy alone producing a general deflation of money incomes’, followed within a couple of sentences by the apparently contradictory judgment on Bank Rate that ‘for producing a general revision of money incomes it is a halting, clumsy, indeed a brutal, instrument’ (ibid., 164).

In the years immediately before the war Sayers became involved in the work of the Oxford Economists’ Research Group which sought to establish empirically whether businessmen followed the practices which seemed self-evidently rational to economic theorists. Sayers’s part was to prepare a summary of the replies from a large number of businessmen to enquiries as to their reactions to changes in interest rates when deciding on capital expenditure (Sayers 1940). In 1951 when this and other papers were reprinted in *Oxford Studies in the Price Mechanism* Sayers contributed a new paper, ‘Business Men and the Terms of Borrowing’ (Sayers 1951), which threw even more doubt on the influence of changes in interest rates in controlling investment.

4 Wartime and then LSE

In wartime Sayers worked in the Ministry of Supply where his duties carried him into the hush-hush area of the atomic bomb. He was concerned with the development of uranium supplies and was one of the negotiating team sent to Washington in 1944. His part in the preparation of a joint report is highly praised by the official historian who noted Sayers's intellectual powers, literary abiity, tact and good temper, all of which contributed to an excellent draft report.

When the war was over he was persuaded by James Meade to join the Economic Section of the Cabinet Office and remained there for two years as a joint Deputy Director alongside Marcus Fleming. While Fleming concentrated largely on external economic policy, Sayers dealt with domestic issues, including the price and investment policy of the nationalized industries (he took a particular interest in transport charges), wage policy (here he laid great stress on education and persuasion much as he had done in relation to long-term interest rates) and industrial policy generally. In the summer of 1946 he was brought in on external economic policy and briefed the Lord President in favour of maximum blocking of sterling balances and full use of IMF facilities. Later in the year he was sent to Paris to help Sir David Waley (not that Waley wanted any help) in discussions on financing arrangements for intra-European trade.

When Sayers joined the Economic Section as Deputy Director he seems to have contemplated a long spell in public service but in 1947 he opted to resume his academic career, accepting appointment as Sir Ernest Cassel Professor of Economics at the London School of Economics (LSE). There he remained until he took early retirement – as he had long intended – in 1968.

He busied himself with a sketch of the American banking system published in 1948 and the preparation of a new edition (the third) of *Modern Banking*. Thereafter he turned to the second of his major works – some would say his best – *Financial Policy, 1939-45*. This was a volume in the series of official histories edited by Sir Keith Hancock and perhaps the most difficult and challenging assignment of the entire series. It took over five years to complete, appearing finally in 1956. Sir Wilfred Eady, who had been Second Secretary in the Treasury in wartime, reviewed it for the *Economic Journal* and had nothing but praise, calling it 'an exciting book' (Eady 1957: 494). Brian Tew, in a more circumstantial analysis, was even more enthusiastic: 'The story as it unfolds', he wrote, 'is so fascinating and so well told that it deserves to be something of a bestseller' (Tew 1957: 504). But the market for histories of financial policy, however exciting, is a limited one, especially if they cover the ground in detail and are works of scholarship, not vulgarization. In comparison with *Modern Banking*, *Financial Policy* remained virtually unknown to the professional economist.

It was a study that drew on Sayers's twin gifts as economist and historian and was written with his customary elegance and lucidity. The story revealed how it was left to a small group of administrators and professional economists in the Treasury to wrestle with momentous issues of the most diverse kind. In telling it, Sayers had two important advantages. He had unlimited access to the official files and could consult those members of the Treasury team who were still alive. Exceptionally, he was also allowed to let the more prominent members of the group who were wartime recruits and not established civil servants – Keynes, Henderson, Robertson and Catto, for example – emerge from the shadows of anonymity and be named as the authors of contributions to the policy debate. The story could thus be told in full detail and with the added colour and life that personalities lent to it.

It was a story in which it was necessary to be quite clear about the role of finance in a war economy and Sayers made this his starting point. But it was also a story of political pressure: of tensions and their handling; of deciding what policies were feasible and sustainable, not just attractive in economic logic; of finding persuasive arguments and forming sound and convincing judgments about an uncertain future. Sayers dealt with both economic and political issues with great skill and recreated the atmosphere of the wartime Treasury, conveying to the reader the sophistication of the arguments employed, the relief and satisfaction when negotiations were successful, the frustration and disappointment when they failed or were prolonged indefinitely. While the first half of the book on the development of domestic policy gave the impression of successful outcomes, the latter half on external economic policy was in the words of Brian Tew, 'a depressing chronicle of frustrations' (Tew 1957: 504).

The fifties were a highly productive period in Sayers's life. In addition to *Financial Policy* he produced two other books: a collection of essays, most of them written in 1955-1956, *Central Banking after Bagehot*, and a full-length study, *Lloyds Bank in the History of English Banking* (both published in 1957). The Lloyds study was his favourite book (though not his best) perhaps because it gave full scope to the historian in him to dwell on the personalities of bankers rather than the propositions of economists. He also edited *Banking in the British Commonwealth* (1952) and (with T.S. Ashton) a collection of reprints of *Papers in English Monetary History*. A fourth edition of *Modern Banking* was in the press and appeared in 1958. The spate of books ceased after he was appointed a member of the Radcliffe Committee on the Working of the Monetary System in the spring of 1957. It was the most important assignment in his career and occupied him for over two years.

5 Radcliffe Committee

Sayers played a dominant part in the Committee's affairs. Since he was the only expert on money and banking on the Committee it was inevitable that he should take the lead in the more technical parts of its work. The Chairman, Lord Radcliffe, regarded him as 'our fast bowler' and usually brought him on early in the interrogation of witnesses. Some complained afterwards that hardly anybody else put questions to them.

What was less clear was what part he would play in the preparation of the Committee's Report. Radcliffe offered no guidance as to who should prepare a draft and to Sayers's embarrassment the Secretary, Robert Armstrong, set about the job and was well on the way to completing the draft before anybody knew. Sayers and I [Cairncross] saw no possibility of arriving at a satisfactory text by amending the draft and decided that it must be quietly set aside. This could not be done, however, without agreement on alternative arrangements for the preparation of a report. The Chairman wanted to draft the final chapter on the constitutional issues but no other member of the Committee aspired to draft any of the other chapters. Sayers and I, therefore, took on the job and nobody dissented. He concentrated on the central issues of domestic monetary policy and wrote about two-thirds of the whole while I tackled the trimmings: the introduction, the capital market, statistics and international finance.

In the autumn of 1958, in the middle of the Committee's work, Sayers had an attack of a virus akin to polio (probably Coxsackievirus) in the tongue at the end of a visit to the United States.[2] This affected his speech and made it doubtful whether he would be able to continue on the Committee. Fortunately he recovered sufficiently to rejoin it and to resume drafting. When the Report appeared in the summer of 1959 it was obvious to those in the know that the main ideas in it were his.

This is not the place to re-examine these ideas and the criticisms they encountered. Those who reacted most strongly against the Report were the economists who were later christened 'monetarists'. They insisted that there was a fundamental difference between money and other financial assets and were highly critical of the Report's emphasis on liquidity as the appropriate focus of policy. The money supply seemed to them more measureable and less vague than the state of liquidity. These criticisms made little impression on Sayers. The fact that payments are made in money, not in other financial assets that can be readily cashed for money, seemed to him beside the point; and he would have rejected the notion that policy must always bear on measurable quantities like the money supply rather than on confidence, incentives, liquidity, and attitudes that are incapable of precise measurement.

[2] Infection with Coxsackievirus can produce weakness and paralysis by damaging the muscles (not the nerves as in the case of polio) but the muscles generally recover completely.

What excited most controversy was the apparent belittling of monetary policy. The Report seemed to some people to be saying that money did not matter. In fact, it said no such thing but warned the authorities not to put too much faith in the power of monetary policy. It argued that in dealing with a boom or a slump 'monetary policy can help, but that is all' (Radcliffe Report 1959: paragraph 514). Of course, if pushed to the extreme of a liquidity crisis, the effect would be dramatic and inescapable. In all other circumstances it was the limitations of monetary policy that Sayers wishes to emphasize.

The views he expressed in the Report of the Committee were not a brand new set of ideas flowing from the hearings. On the contrary, many of them – particularly those relating to liquidity – can be found in the papers in *Central Banking after Bagehot*. The limitations of Bank Rate, the desirability of steady long-term rates and occasional 'changes of gear' and the need to operate deliberately on the terms of lending across the whole financial spectrum, are all expounded in that earlier volume.

Sayers was bitterly disappointed by the reception of the Report – 'two years of my life – two years, wasted!' he once exclaimed. His teaching at LSE and seminars he conducted there on Monday evenings, at which leading City figures were often invited to speak, were deeply affected by his reactions to widespread criticism of Radcliffe doctrine.

6 Later Work

His disappointment did not prevent a considerable volume of new work in the 1960s and, after his retirement in 1968, in the 1970s. New editions of *Modern Banking* appeared in 1960, 1964 and 1967. He contributed a study of *The Return to Gold* in 1925 to the volume of *Studies in the Industrial Revolution* edited in 1960 by Leslie Pressnell, edited a volume on *Banking in Western Europe* in 1962 and the *Economic Writings of James Pennington* in 1963 and delivered the R.C. Mills Lecture in Sydney in 1965 on 'The Vicissitudes of an Export Economy: Britain Since 1880'. Other work followed in 1967-1968: A History of *Economic Change in England, 1880-1939* (1967); a contribution to the OECD volume on *Fiscal Policy for a Balanced Economy* (1968); and a centenary history of Gilletts Discount House, *Gilletts in the London Money Market* (1968). The last of these followed an earlier work, *Gilletts, Bankers at Banbury and Oxford*, written under his supervision by Miss Audrey Taylor (who had held a temporary Fellowship at an Oxford college). It had not been Sayers's intention to write the history of the firm but he decided to do so in honour of a much respected banker when Ronald Gillett, the head of the firm, died prematurely in 1965, shortly after the publication of Miss Taylor's book.

Apart from the histories of Lloyds and Gilletts, Sayers was much in demand as an historian of banking institutions. I can remember being asked about 1970 what the chances were of his accepting an invitation to write a history of the Federal Reserve System but whether he was ever formally approached I cannot say. What he did undertake was the equally demanding task of producing a sequel to Clapham's history of the Bank of England to 1914. This was completed in 1976 in two volumes covering the years from 1891 to 1944. To end in 1944 rather than in 1946 with the nationalization of the Bank seems rather odd but was presumably intended to allow the narrative to end with the 250th anniversary of the foundation of the Bank and with the retirement of Montagu Norman from the Governorship after 20 years.

Sayers took great pains over the work. He made full use of the Bank's archives and interviewed many of the leading figures, or their relatives, in the United Kingdom, the United States, France, Germany and other countries. In digging into the Bank's accounts he was able to use his mastery of balance sheet changes, as he had done in the early chapters of *Modern Banking*, in order to show how monetary policy worked. The result was a study on at least the same level of erudition as Clapham's and superior in the ease and elegance of its style, although some have found it less readable.

In covering the period between 1890 and 1914 Sayers was returning in his last book to the subject of his first with the advantage of an insider's view of events. This produced no surprises but he was able to avoid a mere repetition of earlier work and to produce a more authoritative account.

The treatment of the later period after 1914 adds more to what was previously known in several respects. It gives a fuller picture of the Bank's relationship with government, including full details of the conflict with Cunliffe; of Norman's part in European reconstruction and other international dealings of the Bank; and of the Bank's efforts to assist in industrial reconstruction in the 1930s. It is true, as Sidney Pollard maintains in one of the few reviews to appear, that political issues count for more in this period, not only domestically but internationally. The struggles in a depressed inter-war economy between the groups asked to share the burdens of depression are echoed in the struggles between rival financial groups in Britain, France and Germany over the investment opportunities associated with reconstruction in countries like Austria and Hungary. But if Sayers gives limited space to those struggles and to the political background to them, preferring to concentrate on clarifying technical detail and the aims and operations of the Bank, this is surely understandable. In a history that already occupies three volumes it is surely right to give priority to the outlook and influence of the Bank rather than stray too far into all the conflicting forces affecting its operations.

The book was highly praised – it was ‘a work that will take its place among the classics’ (Pollard 1978: 673) – but left Sayers himself dissatisfied. He told his sister that he would never write another book. Nor did he. After 1976 he wrote very little but did deliver in 1979 the Keynes Lecture to the British Academy, returning to his favourite topic of Bank Rate in a survey of ‘Bank Rate in the Twentieth Century’.

7 Other Activities

Sayers was in great demand as an editor and as a consultant on publications. He was, for example, the ‘chief architect’ of the *Three Banks Review*, acting as editorial adviser from its launch in 1948 until his retirement 20 years later.[3] He set the pattern of the review, which always carried an historical article, as well as a general economic article and one on a more specific industrial or commercial subject. He brought in many of the contributors, and contributed himself but showed a distinct preference for articles in the areas he prescribed over articles in his own special field of banking and finance, which seldom appeared. As a member of the editorial committee he is said to have been good company, modest about his own work, but firm over any questioning of his proposals

[3] His role in that capacity is the subject of a tribute by Donald Fair in the September 1989 issue of *The Royal Bank of Scotland Review*, the successor to the *Three Banks Review*.

on policy or of his editorial standards.

He was also for a time closely associated with the editorial side of *Economica* and was chairman of the British Academy’s publications committee from its inception in 1969 until 1974. This was at a time when the finance of academic publications was becoming increasingly costly and difficult and it was necessary to consider subsidies and alternative methods of publication. Sayers’s own publishers, like the Academy’s, were the Oxford University Press to which he acted for many years as a consultant.

Sayers was a superb lecturer, taking immense pains over his lectures and shutting himself up in his room beforehand, virtually to memorize his lecture before delivering it. Both in lecture and in conversaton he expressed himself slowly and with deliberation. He was always clear, concise and well within the allotted time. Latterly, however, he lectured less and less and from about 1963 until his retirement in 1968 gave no more than a few lectures each year. His weekly seminars were shared with Roger Alford, Leslie Pressnell, Alan Day and, for a time, Charles Goodhart.

Students stood in awe of him for his eminence and erudition but felt little of the affection some teachers inspire. They were said to scramble at seminars for seats well away from him in case they were easily spotted and obliged to answer awkward questions. He saw each of his students briefly at the beginning and end of term and gave particular attention to any student whom he knew to be in personal difficulties. In the case of an Indian student under stress, for example, he invited him to his home in Sevenoaks for a weekend. But he could also be brutal in his criticism if, for example, he suspected a student of borrowing other people’s ideas without acknowledgement. There were occasions on which Sayers's colleagues feared that the victim might commit suicide and hurried to offer reassurance that the violence of the criticism reflected Sayers's ill-health.

Before the war Sayers had been happy to work with Barrett Whale and to mix with others at LSE. When he rejoined the staff in 1947 he struck up a close friendship with T.S. Ashton who, like Sayers, combined economics with economic history. Ashton had begun as an economic historian and had been tempted back to Manchester by George Unwin, only to find himself required to teach currency and banking, never economic history. He had been in the Economic History Chair at LSE for three years when Sayers arrived and the two soon discovered their common interests. Sayers became something of a protégé of Ashton who protected him and when necessary would come to his defence.

8 Personal Relationships

With other colleagues at LSE Sayers's relations were less close. He had shown at Oxford a capacity to collaborate in research into business behaviour. But temperamentally he was a loner who preferred to get on with his work without much social activity.

This tendency was accentuated in later life by ill-health: after a mishap on a platform at Leamington Spa station during the war he suffered from a bad back which obliged him to rest for long spells. The trouble continued and he had a bed installed in his room on which he rested. Apparently the 'cushions' between the disks in his spine were disintegrating and medical science had not yet found how to control this complaint. Later, however, Stuart Wilson remembers the emotional occasion when Sayers came back from seeing his doctor who had just told him that he could look forward to a normal life span. Less hopeful expectations may help to account for the pace at which he worked in the early 1950s, turning out a book a year.

When he returned after a summer vacation he once complained to a colleague that he had been unable to get any work done because of back trouble. Another probem was trouble with his throat: he used to say that he could barely last an hour's lecturing because of this. Shortly before he retired he described a visit to a throat specialist who was unable to find the cause of the trouble but called him back as he was leaving and said: 'Let me look at your shirt collar ... Yes, it's much too tight'.

It was a measure of the distance he preserved from his immediate colleagues that only one of them ever visited him at his home and then only in order to drive him to a conference at Nottingham. This was in 1970 when he had already retired and was trying to sell his house. Similarly, he never brought Mrs Sayers to LSE or spent much time in the Senior Common Room or organized any of the tea or sherry parties for students and staff which LSE encouraged. In the 1950s all the entertainment of money and banking students – especially those from abroad – and most of the visiting academics was undertaken by Stuart Wilson and his wife. There were periods when weeks would go by, nearly a whole term, without his colleagues seeing him. One of them, himself a distinguished monetary historian, cannot recall that Sayers ever dropped into his room about anything more than once or twice in eight years. It was a cause of general astonishment and excitement when he and his wife accepted an invitation to the wedding of his secretary, Miss Adamson, in 1959.

Because of his bad back and because also of his immersion in writing and research, Sayers's immediate colleagues bore with the infrequency of contact with him and his light commitment to teaching in later years. But there were times when lack of contact and consultation could land colleagues in embarrassing situations out of ignorance and it never made for a healthy relationship. In other respects he was extremely conscientious: for example, in the keeping of records and preparing annual reports on his undergraduates. He took great trouble over his graduate students – most of them foreigners – and wrote personal letters of congratulation to all of them on graduation.

Sayers was a man of great determination and persistence. From an early age he pursued the truth with question after question, maintaining that no one could establish it without personally examining all the evidence and rejecting hearsay. At the same time he was shy, diffident and withdrawn. There was, too, a prickly side to his nature that grew more apparent with age and made him at times somewhat autocratic (one colleague called him 'The Emperor'). He could be crushing to students, colleagues, and even visiting speakers, defending himself on the grounds that robust argument is justifiable in academic debate – although the victims were not all academic. On the other hand, those of his colleagues who visited the United States and Australia were told of a Sayers they had never known – a charming man, good-humoured and good company, and one who left behind warm memories and deep admiration. His younger brother insists that he had a hidden personality as a loving and caring person of whom many who knew him were unaware and cites as an example his firm promise in May 1940 to his brother, then a Territorial in a front-line position on the South Coast, to look after his wife and children should he be killed in a German invasion.

He loved children and was sad that he had no grandchildren. He would brighten when any of his colleagues mentioned an expected addition to the family and welcome an opportunity to meet children brought to the School.

He was himself extremely sensitive to criticism and felt that his work did not receive all the attention it deserved. The post-Radcliffe years put a great strain on him and, in consequence, on his colleagues. He took the attacks on the Report very badly and was unable to restrain himself at lunches and seminars in encounters even with friendly City critics like Wilfred King of *The Banker*, and W.F. Crick, Midland Bank's Economic Adviser, while with others like Victor Morgan, who had severely criticized the Radcliffe Report in print, he would sit sullen and silent, as once occurred at a seminar organized by the Midland Bank.

Seminars at LSE suffered in the same way. They were oriented too exclusively to Radcliffe doctrine and contrary approaches were given short shrift. Questions would be put to students, their answers taken but not necessarily debated and there would follow an oracular pronouncement from Sayers. He became unhelpful, too, in offering comment on the work of his colleagues if it diverged from his own views.

Within LSE Sayers did little to resist the decline of monetary history as a subject of study. This was strange given his dedication to the subject and his plea in 1960 for 'the systematic study of recent monetary history' and his lament for its neglect (Sayers 1960: 327). A history paper had been compulsory in Finals at LSE but when it was made optional in the 1960s Sayers offered no support for its retention. When taught M.Sc. degrees were introduced in the 1960s he let the old-style written M.Sc. in monetary history go. Thus the place of monetary history in the curriculum was gradually whittled down with the acquiesence of its principal exponent. Few good students went on to postgraduate research and those who wanted to do so might be advised to choose another university for the purpose. This was all very disheartening to Sayers's immediate colleagues.

In the rise of model-building and econometric analysis, which marked the 'modernisation' of economics at LSE (and elsewhere) in the 1960s, Sayers took no part. His interests were in the functioning of institutions, the framing of policy and the process of change. As a result there were those who came to regard him in the 1960s as one of yesterday's men and could hardly wait to see him make way for a successor from the econometric generation.

Sayers was a great traveller in and out of term and had a wide range of contacts, particularly with bankers, all over the Continent as well as in North America and Australia. This network was of great value to him and to LSE during his tenure there. He had some knowledge of European languages, enough at least for reading purposes, but less so for speaking. Frank Paish alleged that after his [Sayers's] efforts to lecture in Spanish his Spanish hosts decided that future speakers should be asked to lecture in their native tongues. Whatever the truth of that story, when he declared his intention to retire early at 60 it was with the intention of teaching foreign languages. As retirement neared, however, he began to have second thoughts, hoping apparently that he might be asked to stay on after all and regretting that nobody had done so. No one for that matter consulted him in any way about his eventual successor or even informed him.

Even when his academic career had ended he was tempted to take the Cambridge Chair in Economic History. David Joslin had succeeded Michael Postan in 1965 but died suddenly of heart attacks in 1970 at the early age of 45. Sayers, then aged 62, seems to have been approached but decided not to take the appointment, writing subsequently, ‘I can see now what a ghastly mistake it would have been’ (private correspondence between Sayers and Cairncross).

Sayers was elected to the British Academy in 1957 and served as Vice-President in 1966-1967. He was especially proud of his FBA and liked the letters to be used after his name as evidence of his pride in that honour. In 1960 he served as President of Section F of the British Association. For a time in 1968 he was a part-time member of the Monopolies Commission. He became closely associated with the Economic History Society and was President from 1972-1974. A few years earlier he had tried to revive an editorial committee for the *Economic History Review* but without success, one of the editors indicating his unwillingness to edit under supervision.

Sayers was awarded many academic honours. The Universities of Warwick and Kent conferred honorary degrees on him and the University of Cambridge would have liked to do so too. He at first agreed but was unable, because of illness, to attend the ceremony and when approached a second time in the following year he for some reason declined the honour. He was, however, an Honorary Fellow of his old Cambridge college, St Catherine’s, and an Honorary Fellow also of LSE and of the Institute of Bankers. After the publication of *The Bank of England* he was offered but refused a knighthood (on the curious grounds that he could not possibly give an answer within 24 hours).

Music, art and walking were his main non-academic interests. He was an avid concert-goer and after he retired he was able to indulge more fully his interest in listening to music. His letters were full of comments on the London musical scene.

For most of his life, in spite of his back trouble, Sayers was basically a healthy and vigorous man. He enjoyed long walks and even after his hips started bothering him – he suffered latterly from arthritis – he would walk for hours over rough country. According to his daughter, he would climb anything in the Alps that did not require mountaineering equipment. Towards the end of his life, however, various complaints added up and in his last few years he was almost completely immobile.

9 Conclusion

Cairncross's final conclusions were that with Sayers's death the UK had lost

an authoritative guide to British banking, the author of a textbook read for a generation in successive editions all over the world, and an outstanding contributor to banking history. More than anyone, he was the source of the doctrines associated with the Radcliffe Committee. His former pupils came to occupy positions of eminence in many countries and included, it is said, 19 Ministers of Finance (Cairncross 1991: 560-561).

Cairncross's original memoir was published in 1991; with the further passage of time, over 25 years since then, Sayers's standing and reputation as an economic historian remains undimmed. Anyone seeking to study and research UK monetary and financial developments between about 1890 and 1945 is bound to profit by reading Sayers's accounts of the British banking and financial system during this period. But his approach to current monetary policy analysis has fallen into disuse, perhaps too much so. His textbook, *Modern Banking*, once read by every undergraduate in this field, is no longer cited. Sayers's focus on liquidity rather than any particular monetary aggregate, which formed the centrepiece of the Radcliffe Report, was widely scorned during the heyday of monetarism. However, perhaps it may be regarded with somewhat greater appreciation nowadays with the development of 'shadow banking', money market mutual funds, and the abandonment by many central banks, especially the US Federal Reserve, of any focus on, or major attention to, monetary quantities.

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