

The Civil War

Chiang opted to resolve the Communist problem by military means after mid-1946, in order to prove that he could easily wipe out the enemy if unimpeded by American mediation. A victory would vindicate the correctness of his judgment and prove the impracticality of the romantic American dream of a coalition government in China. In spite of repeated warnings that the United States would not underwrite his civil war, Chiang could not persuade himself to believe that Washington would prefer the Communists to himself. There was a feeling among the Nationalists that the United States could not afford to see China slip to the Communists; therefore, its warning could not be taken at face value. If the situation grew desperate enough the Americans would have no choice but to come to the aid of the Nationalists.

In the early phase of the civil war, the government troops reaped victories at every encounter. On the other hand, the Communists foresaw many difficult days ahead before a final victory. Mao predicted in 1946 that it would take five years to settle accounts with Chiang, and the Communists were prepared for a long and hard campaign.²⁵

From July to December 1946, the Nationalists captured 165 towns and 174,000 square kilometers of territory from the Communists. The crowning success came in March 1947 when they seized the Communist capital of Yen-an. Chiang confidently told the American ambassador, Leighton Stuart, that the enemy could be totally defeated or driven to the hinterland by August or September. Indeed, Mao and the CCP central organization found themselves in temporary retreat. They evacuated Yen-an on March 18 and fled into hiding, hotly pursued by some 400,000 Nationalist troops.²⁶ At the end of the first year of civil war in June 1947, the Communist "liberated areas" had shrunk by 191,000 square kilometers and 18 million population.²⁷

Buoyed by the chain of military victories, Chiang confidently launched his political offensive. The National Assembly was convened on November 15, 1946, despite the boycott of the Communist Party and the Democratic League. Its 1,744 delegates adopted a new constitution on Christmas Day, consisting of fourteen chapters and 175 articles. This document, promulgated on New Year's Day, 1947, reaffirmed the Three People's Principles as the basic philosophy of the state, the five-yüan government, and the people's four rights—initiation, referendum, election, and recall.

25. Mao Tse-tung, IV, 1,364; Jerome Ch'en, *Mao*, 291-92.

26. *United States Relations with China*, 238; Jerome Ch'en, *Mao*, 283-84.

27. Jerome Ch'en, *Mao*, 299-300.

The president of the republic was to be elected by the National Assembly for a six-year term. Also stipulated in the document was the right of the chief executive to appoint the president of the Executive Yüan with the consent of the Legislative Yüan, as well as the ministers in the Executive Yüan on the recommendation of the Yüan president. Members of the Legislative Yüan were to be elected on geographical and professional bases for a three-year term. The Judicial Yüan enjoyed the right to interpret the constitution, thus establishing the viability of judicial review in the Chinese legal system. Essentially, this government structure followed neither the presidential nor the cabinet system exclusively but was a mixture of both. The Executive Yüan, for instance, with the consent of the president of the republic, could veto the resolutions of the Legislative Yüan, but if the latter overruled the veto by a $\frac{2}{3}$ vote, the Executive Yüan had to accept it or resign. With regard to local government, provisions were made for the popular election of provincial governors and district (*hsien*) magistrates.

As expected, the Communists loudly attacked the constitution as illegal. Unruffled by these charges, the Nationalists proceeded with the election of a new National Assembly and the selection of members of the Legislative Yüan in November 1947. The Assembly, convened on March 29, 1948, elected Chiang Kai-shek president of the republic on April 19, with Li Tsung-jen as vice-president. With this election, the twenty-year political tutelage of the KMT—which was originally scheduled to last only six years—formally came to an end. But even as Chiang accepted the mantle of office, the civil war had entered a critical stage for the Nationalists.

Mid-1947 seemed to mark a turning point in the fighting. The victory-laden Nationalist military machine began to sputter, partly because of increased assignment of soldiers to garrison duties in reconquered areas, with a corresponding reduction in the actual fighting force. In contrast, the Communist army had been expanding steadily, reaching 1.95 million in June 1947 as compared with KMT's 3.73 million.²⁸ The Communists went on a general offensive in the second half of 1947, scoring victories in Honan and northern Hopeh.

By far the severest blow to the Nationalists occurred in Manchuria. Within three months of Christmas 1947, Lin Piao's army had inflicted losses of 150,000 on the crack Nationalist army. The remainder were pressed into a small triangular area between Mukden, Changchun, and

28. By June 1948, the CCP forces reached 2.8 million vs. KMT's 3.62. In November, the CCP forces actually surpassed the KMT: 3 million vs. 2.9 million. In June 1949, the CCP had achieved an overwhelming superiority over the Nationalists: 4 million vs. 1.5 million. Cf. Jerome Ch'en, *Mao*, 374.

Chinchow, which represented less than 1 percent of Manchuria. It was hopeless to hold such an untenable position, yet Chiang decided to fight to the bitter end. By mid-1948 Lin had so tightened the encirclement that he practically smothered the Nationalist defenders. Having destroyed 100,000 government troops, he conquered Chinchow on October 14, Changchun on October 18, and Mukden on November 2. The Manchurian campaign cost Chiang 470,000 of his best troops²⁹ and dealt a mortal blow to the morale of the entire government army. In the opinion of General David Barr, it "spelled the beginning of the end" for the Nationalist cause.³⁰

Operating simultaneously with the Manchurian battles, another Communist field army under Ch'en Yi conquered Shantung after fierce fighting at Tsinan on September 26, 1948. This accomplished, the CCP forces, 550,000 strong, moved on to attack the historic battle site of Hsuehchow, at the junction of the Tientsin-Pukow and Lung-Hai railways. Chiang had deployed 400,000 of his mechanized troops, equipped with tanks, heavy artillery, and armored cars to defend this gateway to Nanking. But many of his officers had become demoralized under the relentless hammer blows of the enemy. They were further frustrated by rain, snow, and sleet which immobilized their mechanized units. No sooner had the Battle of Huai-Hai³¹ begun in October 1948 than two entire Nationalist divisions defected. From November 11 to 22, 100,000 government troops were destroyed. Hsuehchow fell on December 15. By the time the Battle of Huai-Hai was over in January 1949, the Nationalists had lost no less than 200,000 men and two well-known commanders,³² who were captured by the enemy. Flushed with success, Mao confidently predicted victory in one year.³³ His forces now pressed toward Nanking, the seat of the Nationalist government.

Meanwhile, Lin Piao's 800,000-man army, freed from Manchurian engagements, together with the Communist North China Army Group,³⁴ formed a pincer movement against Peiping-Tientsin in December 1948. The Nationalist defender, General Fu Tso-yi, who had earlier defeated Communist forces in Suiyuan, had 500,000 men under his command. But all expectations of resistance evaporated when his defense plans were stolen by a Communist agent operating in his headquarters.³⁵ Deprived

29. The Nationalists admitted to a loss of 300,000 men.

30. *United States Relations with China*, 335. General Barr was head of the American Army Advisory Group in China.

31. The combined names of *Huai River* and *Lung-Hai Railway*.

32. Generals Tu Yu-ming and Huang Wei.

33. Mao Tse-tung, IV, 1,164.

34. Under General Nieh Jung-chen.

35. Teng Pao-shan.

of their strategy and hopelessly outnumbered, the garrisons of Tientsin and Peiping capitulated on January 15 and 23, 1949, respectively. General Fu himself surrendered, along with 200,000 troops. From September 1948 to January 1949 the government had lost one and one-half million men.³⁶ Under such staggering losses, the Nationalist forces simply collapsed.

What of the future of the government? Chiang was forced by the peace faction within his party to resign on January 21, 1949, and Vice-President Li Tsung-jen took over the reins of government as acting president. Still hoping to hold the southern half of China below the Yangtze, Li tried to initiate negotiations with the Communists, but to no avail. With victory so close at hand, Mao saw no reason to compromise. On April 21, his forces crossed the Yangtze, and three days later occupied Nanking, driving the refugee government to seek asylum in Canton. The Communist advance now accelerated in all directions and simply could not be stopped. Even before all China had been conquered, Mao proclaimed the establishment of the People's Republic on October 1, 1949. When the Nationalist government fled from Canton to Chungking on October 13 and to Taiwan on December 8, the Communist conquest of mainland China was complete. After twenty-eight years (1921-49) of struggle, Mao rose to the pinnacle of power.

The Role of the United States

What did the United States do during the Chinese civil war and what were its "sins" of commission or omission? It must be stated at the outset that when he dispatched Marshall to China in December 1945, President Truman made it very clear that large-scale aid to China was to be contingent on the achievement of national unity. Marshall himself had repeatedly warned Chiang in mid-1946 that the United States was not prepared to underwrite a Chinese civil war and that the spiraling inflation might precipitate an economic collapse. When Chiang ignored these warnings and went ahead with the fighting, the die was cast.

Washington's chief mistake was its inability to evolve a positive policy toward China. It neither disowned the Nationalist regime nor extricated itself entirely from China, but followed a course of partial withdrawal and limited assistance to the Nationalist government—such as the granting of \$27.7 million for economic aid in October 1947 and the establishment of a small Army Advisory Group to offer Chiang counsel. This policy of drift prompted Chiang's friends in Washington and the "China Lobby" to engineer a move to block the European Recovery Program unless a meaningful China aid program was initiated. General MacArthur

36. Jerome Ch'en, *Mao*, 307.

pressed for greater China aid and sneered at the American pressure for KMT reforms while fighting a civil war: "The two issues are as impossible of synchronization as it would be to alter the structural design of a house while the same was being consumed by flame."³⁷

In response to an urgent Nationalist request by the end of 1947 for a four-year aid program of \$1.5 billion—of which \$500 million of economic aid and \$100 million of military aid were to be administered for the first year—Truman recommended on February 18, 1948, a grant-in-aid of \$570 million for fifteen months to retard the Chinese economic collapse. The China aid bill limped through Congress with a 13 percent cut at \$400 million, but was not implemented until the second half of 1948 when the Nationalist cause was all but lost. The aid was too little and too late. On July 30, 1948, Mao declared the demise of the KMT regime "not too far away." On August 13 Marshall was reported to have said: "I wash my hands of the problem which has passed altogether beyond my comprehension and my power to make judgments."³⁸

The misfortune of the Nationalists was compounded by their entanglement in American politics during an election year. Disappointed with the Democratic Administration, Nationalist diplomats cultivated the Republicans on the assumption that the 1948 election would result in a change of administration. Governor Thomas Dewey of New York, the Republican candidate for the Presidency, declared on June 25, 1948, that if elected he would extend massive financial and military aid to China. But Truman confounded the world—and Chiang—with a resounding victory in the election. As president, he twice turned down Nationalist pleas for aid in November and December 1948.³⁹ The feeling was strong in Washington, after Chiang's resignation in January 1949, that the United States ought to get out of China as fast as possible.

In retrospect, the United States, though "guilty" of many acts of omission and default, cannot be held responsible for the "loss" of China which it never "owned." Chinese Communism was an internal development of great vitality spanning thirty years, and it is unlikely that foreign intervention could have altered its course. Active American armed intervention before the spring of 1948 might have delayed the Communist ascent temporarily but most certainly could not have stopped it permanently. Such an intervention would have required, in the view of a China expert,⁴⁰ 150,000 American troops, although a million or two seems more

37. Tang Tsou, 466, 468.

38. Tang Tsou, 446, 473, 478.

39. First request for an American military mission; second request for an aid program of \$3 billion for three years, tendered by Madame Chiang herself.

40. Professor Nathaniel Peffer of Columbia University.

realistic given the later Korean and Vietnam experiences. The question then arises, how long could American soldiers have been kept in China, when demobilization and return to normalcy were the order of the day at home?

In point of fact, the United States government never intended to be involved in the Chinese civil war. Washington explicitly stated that massive intervention was not "practicable or desirable" because it would "require our [American] participation in the civil war and our taking over the direction of military operation and administration."⁴¹ China's strategic value could not justify a large-scale American intervention, and even the prospect of a Russian-dominated China could not alter Washington's position.⁴² Washington found the rise of Communist China not desirable but tolerable, since the Chinese were not likely to present a threat to United States security for years or even decades. The failure of mediation left the Americans no choice but to accept the realities of the Chinese situation.

A Reappraisal of the American Policy

America's China policy during the 1940s must be viewed in the larger context of United States global strategy, and more particularly in the light of its approach to East Asia and the Pacific. Despite the official rhetoric of friendship for China, the long-range goals of American policy definitely were not based on altruism or sentimental attachment to the Chinese culture or people, but rather on the pragmatic consideration of the strategic and economic interests of the United States in postwar East Asia.⁴³

Washington wanted to create a new balance of power in the Pacific and East Asia, one in which the United States would occupy a dominant position. However, with Europe as the focal point of postwar global consideration, the Americans wanted to achieve their East Asian goals with a minimum of resource commitment. Such a policy required a strong alliance with a major state in the region: either China or Japan. During 1944 Secretary of State Cordell Hull assumed that China would emerge "at the center of any arrangement that was made," but he thought that China had only a fifty-fifty chance of becoming a great power.⁴⁴ With his retirement from the State Department, Acting Secretary of State Joseph Grew, a former U.S. ambassador in Tokyo with pronounced pro-Japanese

41. *Foreign Relations of the United States, 1947*, Vol. VII, *The Far East: China* (Washington, D.C., 1972), 855.

42. *Ibid.*, 854.

43. *Ibid.*, 790.

44. Cordell Hull, *The Memoirs of Cordell Hull* (New York, 1948), 1586-87.

sympathies, was inclined to view a revitalized Japan as a desirable option open to the Americans should China prove unable to fulfill its assigned role in the United States strategy.⁴⁵ By the spring of 1945 Secretary of the Navy James Forrestal pointedly asked Secretary of War Henry Stimson: "What is our policy on Russian influence in the Far East? Do we desire a counterweight to that influence? And should it be China or should it be Japan?"⁴⁶ No decision was reached at that time, but the essential problem remained for American East Asian policy-makers: If China could fit into their scheme, it deserved American support; if not, a revitalized Japan could also serve as an anchor for United States interests in East Asia. It is primarily for this reason that President Truman insisted at the Potsdam Conference in July 1945 that the occupation of Japan should be a sole American enterprise and not a zonal undertaking with the Soviet Union and other powers.⁴⁷

The long-term objective of the United States was to encourage the development of a relatively strong and friendly China capable of serving as a counterweight to the Soviet Union and open to the penetration of American capital.⁴⁸ Washington recognized that neither a Communist-ruled China nor a weak China that would invite Russian penetration could fulfill these goals. Hence President Roosevelt promoted the idea of China as one of the great powers and State Department advocated the policy of helping develop "a united, democratically progressive, and cooperative China."⁴⁹ Such an objective was partly based on the understanding, as the Department put it in 1945, that China would provide "a large-scale market for American goods and capital."⁵⁰ Indeed, as early as 1939 Treasury Department officials unabashedly stated that the Sino-Japanese war provided a wonderful opportunity for the Americans to "get a firm foothold on future Chinese business and we will get the bulk of reconstruction work in China. . . . China under peace time conditions and a revitalized Central Government will make a wonderful future market for American goods and enterprise."⁵¹

45. U.S. Congress, Senate, Committee on the Judiciary, Internal Security Subcommittee, Hearings, *Morgenthau Diary* (China), 89th Congress, First Session (Washington, D.C., 1965), 1394.

46. Walter Millis (ed.), *The Forrestal Diaries* (New York, 1951), 52.

47. Harry Truman, *Memoirs*, Vol. I, *Year of Decisions* (Garden City, 1955), 551-52.

48. *Foreign Relations of the United States, 1945, The Conference at Malta and Yalta* (Washington, D.C., 1955), 353.

49. Charles Romanus and Riley Sunderland, *Time Runs Out in CBI* (Washington, D.C., 1959), 337.

50. John W. Dower, "Occupied Japan and the American Lake," in Edward Freeman and Mark Seldon (eds.), *America's Asia* (New York, 1969), 167.

51. *Morgenthau Diary*, 7.

It was for these reasons that the United States extended to the Nationalist government Lend-Lease supplies, "currency stabilization" loans, and other forms of military and economic credits. Washington saw these loans as a way to stop the Chinese "defeatists" from defecting to the Japanese, and to encourage Chinese war effort, thereby tying down a considerable number of Japanese troops on the mainland which might otherwise be transferred elsewhere to fight the Americans.

Washington never had a high regard for the Chinese military effort, except for the early phase of the war when China alone withstood the Japanese assault while the Allies faced defeat after defeat by the Imperial Japanese army. At the end of 1943 the Joint Chiefs of Staff, estimating Chinese capabilities, concluded: "We feel that, at most, not more than one-fifth of the Chinese Army is currently capable of sustained defensive operations and then only with effective air support (by the Americans)."⁵² Furthermore, Secretary of the Treasury Henry Morgenthau spoke of Chinese officials in charge of finances as "just a bunch of crooks," and Harry Truman later also referred to Kuomintang leaders as "grafters and crooks."⁵³

In the early phase of the war, the Pentagon seriously considered using China as a staging-area from which to attack the home-islands of Japan. However, this strategy came under subsequent question, and was dropped at the Cairo Conference in November 1943. George Marshall, head of the Joint Chiefs of Staff, explicitly instructed Stilwell in 1944 that the function of the China-Burma-India theater of war was to distract and draw off Japanese troops from American operations in the central and southern Pacific: "Japan should be defeated without undertaking a major campaign against her on the mainland of Asia if her defeat could be accomplished in this manner."⁵⁴ Clearly, the United States wanted to avoid a land war against Japan in China where the price of victory would be measured in manpower rather than in matériel. Indeed, it was this desire that was the central limiting factor of American political and military strategy in East Asia during the war; it was also the reason behind American efforts at developing contacts with the Chinese Communists and at drawing the Russians into the war against Japan. Furthermore, the Americans were apprehensive that Chiang was attempting to draw United States forces into his civil war with the Communists. Stimson stated that

52. *Foreign Relations of the United States, The Conference at Cairo and Teheran, 1943* (Washington, D.C., 1961), 242.

53. *Morgenthau Diary*, 133; Joyce Kolko and Gabriel Kolko, *The Limits of Power* (New York, 1972), 554-55.

54. Charles Romanus and Riley Sunderland, *Stilwell's Command Problems* (Washington, D.C., 1956), 363-64.

this was "the very thing that I am resolved that we should not do unless it is over my dead body."⁵⁵

The dread of being embroiled in China led to the American tactic of mediating a political settlement in the dispute between the KMT and the CCP. At the same time Washington vigorously urged Chiang to renovate his government in order to outflank the Communists via reform. Chiang, however, not only refused to heed the advice but also rejected a political settlement with the Communists on any terms but his own. American observers in China realistically warned Washington that Chiang's regime could not withstand the impact of a military solution to China's profound internal problems; Foreign Service Officers John P. Davies and John S. Service boldly stated their belief that China's destiny was not Chiang's but the Communists'. In April 1945 the State Department advised Truman that the United States should continue to support Chiang, for he still "offers the best hope for unification and for avoidance of chaos in China's war effort," but if "the possible disintegration of the authority of the existing government" occurred, the long-term interests of the United States in China warranted "flexibility to permit cooperation with any other leadership in China which may give greater promise."⁵⁶ In June the State Department in a policy paper advocated a united China without mentioning the Kuomintang or Chiang; all it hoped for was "an effective and stable government"—one that would "safeguard the principle of equal opportunity for the commerce and industry of all nations in China."⁵⁷ After Marshall's recall in early 1947, Washington had all but given up hope for Chiang and the Kuomintang. With Europe as America's primary consideration and as the area where the United States would invest the bulk of its manpower and financial resources, China occupied at best a tertiary position in the American priorities of global commitments; indeed, by May of 1947 the Joint Chiefs of Staff had placed "China very low on the list of countries which should be given such assistance."⁵⁸ Washington had decided by the second half of 1947 to rebuild Japan as an alternative base for American power in East Asia. From the American perspective, the rebuilding of Japan would entail far less commitment of resources than would be the case for China, and offer more assurance of success. Thus, Japan replaced China as the cornerstone of American interests in East Asia and the Pacific.

55. Quoted in Gabriel Kolko, *The Politics of War: The World and United States Foreign Policy, 1943-1945* (New York, 1968), 535.

56. Harry S. Truman, *Memoirs*, Vol. I, 102-3.

57. *Foreign Relations of the United States, The Conference of Berlin (The Potsdam Conference)*, 1945 (Washington, D.C., 1960), I, 858.

58. *Foreign Relations of the United States, 1947, op. cit.* Vol. VII, 853-54.

American mediation in China won the goodwill of neither the Nationalists nor the Communists. The former blamed Washington for spoiling their optimum chances for destroying the opponent, while the latter attacked the United States for ostensibly posing as a neutral mediator while actually aiding the Nationalists. In pursuing his military solution to China's political problems, Chiang undermined his chance of serving as the anchor for American interests in East Asia. Instead of consolidating his existing position and outflanking the Communists via reform, as the Americans advised him to do, he followed a strategy that ripped apart the fragile fabric of postwar Chinese society and opened the door to a Communist victory. Chiang assumed that the Americans would not tolerate the Communists as his successors, but there was nothing in American policy that should have realistically led him to believe that the Americans would not abandon his regime if it became too expensive to uphold.

America's venture in China not only failed in its objective of using the Nationalist government to secure a hold for the United States in East Asia, but it also alienated the Communists. Inability to assess correctly the potential of the Communists in the postwar world and to work out a détente with them in order to undercut their dependence on the Soviet Union represented a misjudgment and "a lost chance in China."⁵⁹ In the final analysis, America's failure stemmed from its incapacity to bridge the gap between its goals and Chinese realities.

Causes of the Nationalist Defeat

For an event as important as the fall of the Nationalist government on mainland China, historians have the unshirkable responsibility of assessing its causes. While a definitive study may be premature, pending a more complete opening of the archives, some tentative interpretations may be offered at the risk of oversimplification. The most important near cause for the downfall of the Nationalists was the eight-year Japanese war, which completely exhausted the government militarily, financially, and spiritually. Had there been no Japanese war, the situation in China would have been very different. Hence, many of the disastrous repercussions of the war discussed in the last chapter continued to plague the Nationalists during their struggle with the Communists. The price the Nationalists paid to win the Japanese war was also the first installment toward its eventual downfall.

59. Joseph W. Esherick (ed.), *Lost Chance in China: The World War II Dispatches of John S. Service* (New York, 1974).

DECEPTIVE MILITARY STRENGTH. Although the Nationalist army emerged from the Japanese war better equipped and trained than ever before, it was a tired and weary force. Already exhibiting signs of fatigue during the last stage of the Japanese war, it was held together by nationalism, patriotism, and the prospect of an imminent Allied victory. Japan's surrender gave the troops a sense of relief and a feeling of having accomplished the mission, and they longed for a rest. The thought of fighting another civil war was abhorrent to them. Though they fought when ordered, their spirit was unwilling and their flesh weak. Their credible performance before mid-1947 represented a last desperate thrust before the final collapse.

The Communists, on the other hand, during the Japanese war had vastly expanded their military forces. The end of war was also the hour of recognition for them, now fresh, vigorous, and confident of the future. Ideologies apart, the difference in stamina contributed to the outcome of the bout.

Leaving aside the question of war weariness, the Nationalist strategy also left much to be desired. Against American advice, Chiang sent large bodies of his troops to Manchuria, only to have 470,000 of them slaughtered or captured, when he should have concentrated his men to defend areas south of the Great Wall. The ill-fated decision to take Yen-an and pursue the fleeing Communist leaders to the strategically unimportant mountainous Northwest drained another 400,000 troops. The battles of Huai-Hai and Tientsin-Peiping were poorly directed, causing yet another irreparable loss in manpower. In the short period from September 1948 to January 1949, the Nationalists lost well over one million men; the heart of their army was destroyed and what was left could no longer fight.

INFLATION AND ECONOMIC COLLAPSE. Even more disastrous than war weariness and mistakes in strategy was the galloping inflation which was already rampant during the Japanese war, and became completely uncontrollable after the war. The single most important cause of this inflation was the flagrant increase in note issues which grew from 1.3 billion yüan in January 1937 to a fantastic 24,558,999 billion by the end of 1948, with the result that prices increased by 30 percent per month during 1945-48. During the brief span from August 1948 to April 1949, note issues increased by 4,524 times, and the Shanghai price index rose an astronomical 135,742 times. Inflation and financial mismanagement destroyed the livelihood of hundreds of millions of Chinese and totally discredited the government. Small wonder that the majority of the people were not averse to, and even looked forward to, a change in administration.

LOSS OF PUBLIC CONFIDENCE AND RESPECT. In addition to fiscal irresponsibility which brought on rampant inflation, the obnoxious conduct of Nationalist officials who returned to the Japanese-occupied areas after the war did permanent damage to Nationalist prestige. They returned as conquerors and treated the people with contempt, as if they had been disloyal citizens or traitors. The officials were more interested in taking over enemy properties for selfish purposes than for the welfare of the people who had suffered so grievously during the Japanese occupation. They monopolized profitable commodities and enterprises in open competition with the people, and publicly auctioned relief materials for personal gains. Worst of all, they forced the conversion of the Japanese-supported puppet currency in South and Central China into *fapi* at the exorbitant rate of 200 to 1, when a more equitable rate would have been half that much.⁶⁰ When the savings and cash reserves of the people were so suddenly and drastically reduced, their immediate reaction was deep resentment, the more so when a few years earlier the puppet government had forced them to convert their *fapi* to the puppet currency at the rate of two to one. The two conversions slashed the cash reserves of the people by 400 times! These citizens within occupied territories, who had waited for eight years for the return of Nationalist rule, were so mercilessly milked and so contemptuously treated that they wondered whether life would not have been better under the Japanese. The net result of the misbehavior of the Nationalist officials was the alienation of millions of suffering people.

FAILURE OF AMERICAN MEDIATION AND AID. The course of events in postwar China could have been different if the United States had followed a different course during the Japanese war. First, had its China aid been more substantial during the first four years of the war, 1937-41, it might have beefed up Nationalist finances to the point where inflation could have been checked in its early stages. By nipping the trouble in the bud, the later runaway situation might never have occurred, thus avoiding the ultimate economic collapse. Second, if the United States had retained the original strategy of attacking Japan from the Chinese mainland, American soldiers would have landed in the coastal provinces of China, seizing territory from the Japanese and turning it over to the Nationalist government. The plan was discarded, however, by a change in the Allied strategy in 1943-44, which called for the invasion of Japan from the Pacific, by-passing China altogether. This decision placed Nationalist

60. Shun-hsin Chou, 24.

China in a strategically insignificant position, and when the war suddenly ended it was ill-prepared for the consequences of the unexpected peace.

Quite apart from these economic and military considerations of what might have happened, the United States lost at least three chances to exert a decisive influence on China diplomatically. First, if Hurley had played a more active role of mediation during Mao's visit to Chungking in August-October 1945, he might have prevailed upon Chiang to accept the "transient arrangements" that Mao was offering, thereby averting the immediate outbreak of the civil war. This was a golden chance carelessly thrown away. Second, if Marshall had been more forceful in "pressuring" the KMT and Chiang into honoring the Political Consultative Conference resolutions, hostilities might have been checked. Third, when the Nationalists were in a critical retreat during the spring of 1948, the United States had one last chance to intervene militarily but it did not choose to do so. In retrospect, it seems that the United States lost all these chances by default.

RETARDATION OF SOCIAL AND ECONOMIC REFORMS. Aside from these immediate causes of the Nationalist downfall, a far more fundamental failing was the continuous retardation of badly needed social and economic reforms. This neglect might have been partially caused by overwhelming circumstances beyond Nationalist control. From the outset, it was challenged by the "new warlords" and dissident politicians, and hardly had it resolved these problems when it was deluged by the mounting threats of Japanese aggression and Communist insurrection. It took all the energy, resources, and skills the Nationalists could muster to fend off a war with Japan while launching five campaigns against the Communists. There was little time or inclination left to tackle the seemingly less imminent, if more basic, problems of economic justice and social reforms. Not only was the Principle of People's Livelihood—regulation of capital and equalization of land—never implemented, but even the far more moderate resolution of farm rent reduction to 37.5 percent of the yearly crop never materialized. Dr. Sun's ideal of "land to the tiller" remained only a fond dream. Once the Japanese war broke out, military affairs took precedent over all others, relegating the long-overdue social reforms further to the background.

Despite these overwhelming circumstances, it was nevertheless correct to say that the Nationalists lacked the necessary motivation to initiate social and economic reforms. Established in the coastal regions far away from the hinterland, the Nanking government relied on customs dues and city commercial taxes for its sustenance, paying little attention to

agrarian problems. It did not understand the peasants, saw no urgency in solving their problems, and was unsympathetic to their plight. Ironically, the Nationalist officials continued to live under the shadow of the Confucian distinction between the rulers and the ruled, and looked down upon the peasants as an inert nonentity. They failed to see the revolutionary potential of the peasant masses and consequently never attempted to organize them. It was precisely in this area of neglect that the talent of Mao found its highest and most successful expression. The stone that one builder had rejected became the cornerstone of the other's house.

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