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Republican China under the Nationalists, ca. 1925–1945

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The Nationalist movement was the most stable political force on the Chinese mainland between the late 1920s and the end of the Chinese Civil War in 1949. During that period, the Nationalist Party of China, the Guomindang (GMD), also formed the internationally recognized government of the Republic of China. And yet, for more than sixty years now, the history of the GMD state has mainly been viewed through the lens of its defeat in the Civil War of 1946–1949, which led to the emergence of a socialist Chinese state on the East Asian mainland. In this view, Nationalist governance was doomed to fail from the start.

Given its demonstrable achievements both before and during the second Sino-Japanese War (1937–1945), why do narratives of incompetence, insincerity, and corruption dominate the history of the Chinese Nationalist state? This chapter summarizes recent trends in anglophone historical writing on the GMD state. All these writings approach the history of the Nationalist state without seeing its defeat on the Chinese mainland in 1949 as an unavoidable outcome. I cannot offer encyclopedic coverage here; rather, I have attempted to identify the main trends of this scholarship relating to three of the most common assertions about the Nationalist regime—that it was incompetent, that it was corrupt and criminal, and that it left most of the fighting during the Sino-Japanese War of 1937–1945 to the military forces of the Chinese Communist Party (CCP).

THE GENEALOGY OF AN INTERPRETATION

Negative views of Nationalist governance fall into two broad categories: popular and academic views. The popular perception of GMD failure is

heavily influenced by what Hans van de Ven termed the Stilwell-White paradigm, which posited that the Nationalist regime failed because it was corrupt, authoritarian, and militarily incompetent. General Joseph W. Stilwell, the chief U.S. military advisor to the Nationalist government during the Second World War, recorded in an undated note found among his papers that the Chinese people could only expect "greed, corruption, favoritism, more taxes, a ruined currency, [and] terrible waste" from the Nationalists under Chiang Kai-shek.¹ Theodore H. White, drawing on six years' experience as *Time* magazine's correspondent in the Nationalist wartime capital, Chongqing, wrote in 1946 of both the "extravagance and debauchery of the Kuomintang's machine" and its "brutality and extortion."² The Stilwell-White paradigm found its most lucid expression in Barbara Tuchman's *Stilwell and the American Experience in China*. In order to demonstrate that "China was a problem for which there was no American solution," Tuchman went to great lengths to demonstrate that the Nationalist movement had been "overtaken by the compromises and corruption of climbing to power."³

Lloyd Eastman expressed the most influential scholarly negative view of Nationalist governance in his two books, *The Abortive Revolution* and *The Seeds of Destruction*.⁴ In contrast particularly to Stilwell's views, Eastman's argument is both detailed and nuanced in giving the Nationalists credit for what he felt to be their achievements, scarce as they were in his analysis. Hence, when approaching broadly negative perspectives on the Nationalist government's record, we must take care to distinguish between scholarly views based on newly available evidence, such as those of Lloyd Eastman or Parks Coble, and politically motivated arguments, such as those of Stilwell, White, and Tuchman. As the above quotations from Tuchman's work demonstrate, these works are often as much concerned with issues outside the history of Nationalist China, such as United States foreign policy.

WAS THE NATIONALIST GOVERNMENT REALLY INCOMPETENT?

Since Eastman's *Abortive Revolution*, many English-language studies of the Chinese Nationalist Party have emphasized the perceived failure of its fiscal and budgetary policies. This crucial aspect of state building is a good test case for narratives of Nationalist incompetence. The Nationalists moved the seat of their government to Nanjing in 1927 at the end of the first phase of the Northern Expedition, a military campaign to bring more of China's territory under Nationalist control. In 1929, the Nationalist government achieved its first major foreign policy success by regaining tariff autonomy, that is, the ability to decide how much to tax imports and exports, which

the imperial court had lost under the provisions of the Treaty of Nanjing at the end of the first Opium War in 1842. Because the Nationalists could now set tariffs at higher levels, the central government's annual revenue had increased nearly threefold by the beginning of the Sino-Japanese War in 1937. How was this additional revenue spent? Military expenditures plus the interest and repayments due on foreign and domestic loans together exceeded more than half the Nationalist government's spending for all but one year of this period. The importance of military expenditure is explained by China's internal conflicts of the period, and the constant threat of a Japanese invasion.

The matter of debt service offers another opportunity to examine the Nationalist government's record. When the government moved to Nanjing in 1927, new borrowing abroad was not a feasible option due to earlier successive defaults by republican governments in Beijing, and the debt inherited from previous governments. After 1929, the Nationalists used increased tariff revenue to reduce the amount of outstanding foreign and domestic loans, and as security for new domestic loans. By 1937, 10 percent of China's foreign debt was in arrears, compared to 50 percent in 1928. Both foreign and domestic bond markets were attentive to these efforts by the Nationalist government to improve China's debt service—that is, the regular payment of interest and the repayment of principal—as the rising price of government bonds demonstrates. One common indicator of bond value is their current yield.⁵ The lower the price at which the bonds are sold, the higher the current yield. The current yields of China's major foreign bonds traded on the London Stock Exchange in 1937 were about half of what they had been in 1927, showing that in June 1937, on the eve of war, markets believed the government's foreign bonds to be more secure and thus worth more than they had been previously. At home, the Nationalist government consolidated its domestic debt twice in 1932 and 1936 by decreasing the interest paid on existing bonds and extending their repayment period. Despite what amounted to a partial default, these actions improved the confidence of domestic markets in the Nationalist government's fiscal probity in the medium term, since the average current yield of domestic bonds in June 1937 was one-third lower than it had been in 1928; in other words, markets valued these domestic bonds more highly too.⁶ The Nationalist government's commitment to fiscal probity outlasted the beginning of war; it suspended payments on foreign loans only in January 1939, by which time the Nationalists had lost control of China's richest provinces (and hence much of their revenue base).

Prudent debt management is no guarantee of useful government spending, or the soundness of other political choices. Chiang Kai-shek's decision to spend great amounts of money on fighting the Chinese Communists was fiercely contested in China at the time. But the Nationalists'

fiscal record indicates that, with regard to the prewar period, narratives that claim sweeping incompetence on the part of the government fall short of the factual record. This applies all the more when we remember that the improvement of China's government finances took place at a time when the Republic of China was fragmented politically and territorially, since the Nationalists never controlled more than six of China's twenty-eight provinces during the prewar period, and several times were challenged militarily even within those provinces. China was never unified as a country during this period.

WAS THE NATIONALIST GOVERNMENT REALLY CORRUPT AND CRIMINAL?

Even within the Guomindang, divisions continued, as is apparent from the existence of two separate Nationalist governments in 1927 during the first stage of the Northern Expedition. Joseph Esherick argued some years ago that our understanding of the Chinese Communist Party's history would be increased if historians ceased to regard the CCP as a monolithic entity.⁷ The same applies to studying the history of the GMD. This means that we need to distinguish between the things that happened within and outside the Nationalist party-state's control. To some extent, "Nationalist" was a label that could be used by any local political activist. Hence extortion in the countryside, as noted by Eastman, becomes no longer necessarily a Guomindang abuse, but rather an abuse at the local level that the central institutions of the party-state failed to prevent. That failure, in itself, is revealing about the limitations of Nationalist governance. Nevertheless, applying Esherick's approach to the Guomindang allows us to be more precise about the corruption, crime, and repression to which the Nationalists undoubtedly were party. Over the course of the twentieth century, international law has moved toward recognizing the principle of command responsibility, which states that a superior's failure to prevent an offense by a subordinate, of which he is aware but which he did not order, also constitutes an offense. This approach is useful for thinking about the responsibility of the central institutions of the Nationalist party-state for abuses committed by Party members at the local level.

Chinese and foreign commentators noted a sharp increase in corrupt and criminal behavior during the early years of the second Sino-Japanese War. This observation is supported by recent research, particularly that of Frederic Wakeman. However, it has also become clear that the Nationalist government's links to organized crime, and propensity to resort to criminal means as policy tools, go back much earlier. Edward Slack and Alan Baumler have shown that the Nationalists' attitude to the domestic opium

trade was at best ambivalent during the prewar years, since the government derived much-needed revenue from its opium monopoly. The ostensible purpose of this monopoly was to force the Chinese opium trade under government supervision in order eventually to eliminate opium consumption altogether. Brian Martin has documented the collusion of the Nationalists during the Northern Expedition with elements of the Shanghai underworld to suppress labor unrest. This created a loose political alliance, and the Shanghai underworld's interests in the drug trade further compromised the Nationalist government's stated policy of eradicating opium consumption. The Nationalists continued to rely on the Shanghai underworld as a political ally and occasional executioner during the prewar years.

Regardless of this, criminality, corruption and, as we have seen above, competent governance, coexisted within the Nationalist state's structure, which indicates that these things were not mutually exclusive. Hence, that the Nationalist government as a whole was corrupt and criminal may be said to be a misinterpretation, but that a large number of individuals and institutions of the Nationalist government displayed corrupt and criminal behavior is not. This, in turn, does not invalidate its governance record in other areas.

AND WHAT, EXACTLY, DID THE NATIONALIST GOVERNMENT DO DURING THE WAR?

The armed forces of the Nationalist Government and its allies withstood the Japanese invasion for eight years, by trading space for time.⁸ As Hans van de Ven has pointed out, by early 1945, neither side was able to win the war, since China's inability to defeat Japan matched Japan's inability to fully occupy and consolidate its control over China. Given that it pushed the Japanese military to this point, why is the Nationalist leadership's military record even in question? The Stilwell papers leave no doubt that the Nationalist supreme military commander, Chiang Kai-shek, and his chief U.S. military advisor, Stilwell himself, were unsuited to each other temperamentally and in their leadership styles. More important, they also differed in their tactics. Stilwell was committed to the all-out offensive tactics that were adopted as the U.S. Army's doctrine during the 1930s.⁹ Offensive warfare necessitated an army trained to a uniformly high standard and a defense economy to keep it supplied, neither of which China possessed in 1937; efforts to develop both were ongoing at the time. The absence of these prerequisites makes Chiang's choice of defensive warfare seem like a realistic choice. Despite Chiang's superior military experience, Stilwell's low opinion of Chiang's abilities as a military leader has stood the test of time better than the military record of the Nationalist forces.

During the war, the Chinese Nationalist polity changed, both for the better and for the worse. Of its three main aims in the realm of foreign relations—diplomatic recognition, regaining tariff autonomy, and ending extraterritoriality—the Nationalist state had achieved the first two before the war, and the last, most emblematic of China's perceived return to the world stage, by the end of the war. The Republic of China emerged from the war in 1945 with a more prominent international standing than it had had beforehand. The most visible legacy of the Nationalist party-state is the continued existence of a Republican Chinese state on Taiwan—one of the remaining unresolved issues of the Cold War in East Asia—and the continued existence of the Nationalist Party, which at the time of writing had recently returned to power in the Republic of China on Taiwan via the ballot box.

But after the Civil War of 1946–1949, the Nationalist party-state was only able to continue to exist on Taiwan, and that has much to do with the ways in which the Chinese polity changed for the worse during the war. This is illustrated again by the example of fiscal policy, an area in which central GMD governance in Nanjing was successful until the beginning of the war. That the amount of central government revenue collected increased nearly threefold between 1928 and 1937 demonstrates that the Nationalists had found a sustainable way to fund their governance. However, losing control of China's wealthy coastal area because of the onset of war forced the wartime Nationalist government into adopting rapacious taxes and, ultimately, deficit financing. These new taxes contributed to the Nationalist party-state's loss of legitimacy as the war progressed, and spending more than the government could collect in revenue or borrowing led to hyperinflation by the latter stages of the war. At the same time, opportunities for corrupt or criminal behavior increased as the institutions of the GMD state grew beyond the control of its political center. As an increasing number of Chinese people experienced such behavior, in their eyes the Nationalists increasingly lost the legitimacy to govern China.

CONCLUSION

The Second Sino-Japanese War of 1937–1945 was not the only factor in the demise of the Nationalist regime; for one, the Chinese Civil War of 1946–1949 did not have a predetermined outcome, as Arne Westad's recent research has shown. Grassroots political support for the CCP continued to increase during the Civil War. In many cases, this support was the result of CCP socioeconomic policies that promised a more equal distribution of wealth within society. The Nationalists could not and would not match these policies, and as a result their political mobilization of the general

populace was weaker than that of the CCP. How Nationalist governance might have developed had it not been for the Japanese invasion in 1937 is a speculative question that historical analysis cannot answer.

However, recent works of scholarship on Republican China all stress the importance of the Sino-Japanese War of 1937–1945 in transforming the political fortunes of the Guomindang. The war is important for all three myths we have looked at in this chapter: it derailed prewar governance reforms, encouraged corrupt and criminal tendencies among members and institutions of the Nationalist party-state, and was fought at enormous human and economic cost.

It is the Second Sino-Japanese War, therefore, that had the greatest impact on the demise of Nationalist governance on the mainland; we have seen that sweeping assertions that the Nationalists were incompetent and unwilling to fight were at best exaggerated. Additional evidence of corruption and criminality within the Nationalist polity continues to surface, but here, too, a comprehensive indictment fails to convince. Since Eastman already drew attention to the transformative effects of the war, what is the difference between his argument and those made by revisionist historians more recently? The distinction lies in our increased understanding of both the achievements and failures of the Nationalist party-state. This has become possible due to improved access to archives in both the PRC and the ROC that was unthinkable even a few decades ago, together with a less heated political climate within which to debate Nationalist governance. As our understanding of the fractured nature of the Guomindang polity and the transformative effect of the second Sino-Japanese War on Chinese politics grows, so too does our appreciation of the confines within which Nationalist policy makers were operating.

SUGGESTIONS FOR FURTHER READING

The latest volume to discuss the military history of the second Sino-Japanese War is Mark Peattie, Edward Drea, and Hans van de Ven (eds.), *The Battle for China* (Stanford University Press, 2010), which offers stimulating and accessible essays, while the most recent comprehensive study of the Chinese Civil War is Arne Westad, *Decisive Encounters: The Chinese Civil War, 1946–1950* (Stanford University Press, 2003). Hans van de Ven gives a comprehensive, essential reappraisal of the Nationalist party-state and the Guomindang's war effort in *War and Nationalism in China, 1925–1945* (RoutledgeCurzon, 2003), and Julia Strauss, *Strong Institutions in Weak Politics* (Clarendon Press, 1998) provides an indispensable introduction to the frequently confusing institutional history of the Nationalist state. For a fascinating case study in the wartime decline of Nationalist governance, see

Frederic Wakeman, *Spy Master: Dai Li and the Chinese Secret Service* (University of California Press, 2003).

NOTES

1. Joseph W. Stilwell, *The Stilwell Papers*, ed. Theodore H. White (1948, reprt. New York: Da Capo, 1991), p. 317.

2. Theodore H. White, Annalee Jacoby, *Thunder out of China* (1946, reprt. New York: Da Capo, 1980), p. 312.

3. Barbara Tuchman, *Sand against the Wind: Stilwell and the American Experience in China, 1911–1945* (New York: Macmillan, 1970), pp. 531, 115.

4. Lloyd Eastman, *The Abortive Revolution: China under Nationalist Rule, 1927–1937* (Cambridge, MA: Harvard University Press, 1974) and *The Seeds of Destruction: Nationalist China in War and Revolution, 1937–1949* (Stanford, CA: Stanford University Press, 1984).

5. This is calculated by dividing annual interest payable by the percentage of the nominal value at which the bonds are traded.

6. Arthur N. Young, *China's Nation-Building Effort, 1927–1937: The Financial and Economic Record* (Stanford, CA: Hoover Institution, 1971), pp. 141, 98–99.

7. Joseph Esherick, "Ten Theses on the Chinese Revolution," in Jeffrey N. Wasserstrom, ed., *Twentieth-Century China: New Approaches* (London: Routledge, 2003), p. 53.

8. Edward Drea, Hans van de Ven, "An Overview of Major Military Campaigns during the Sino-Japanese War, 1937–1945," in Mark Peattie, Edward Drea, Hans van de Ven, eds., *The Battle for China: Essays in the Military History of the Sino-Japanese War of 1937–1945* (Stanford, CA: Stanford University Press, 2010), p. 25.

9. Hans van de Ven, "The Sino-Japanese War in History," in Peattie et al., *Battle for China*, pp. 734–35.