

and prefers to leave aside the hard-to-generalize grassroots particularities that evidence from interviewing and published accounts might illuminate. His work is more purely sociological – a systematic statistical exploration of county-level correlations in time and space that is unprecedented in the China field. It will be essential reading for scholars of the People’s Republic and an accessible source, for informed lay readers and students, on the horrors of the Cultural Revolution.

doi:10.1017/S0305741023001583

The Collapse of Nationalist China: How Chiang Kai-shek Lost China’s Civil War

Parks M. Coble. Cambridge: Cambridge University Press, 2023. 290 pp. £30.00. US\$39.99 (hbk). ISBN 9781009297615

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In *Seeds of Destruction: Nationalist China in War and Revolution, 1937–1949* (Stanford University Press, 1984), Lloyd Eastman argued that the Kuomintang lost China’s civil war because Chiang Kai-shek, who had concentrated power in his own hands, had constructed a fragile state, unable to withstand the windstorm of the Communist Party’s revolution. In his view, Chiang’s fiscal policies during the anti-Japanese war and on into the civil war era led to hyperinflation and corruption, which in turn alienated the urban population and fatally compromised the morale and combat effectiveness of the KMT’s armies.

The Collapse of Nationalist China revisits the issues of inflation, corruption and Chiang’s personal responsibility for the KMT’s defeat. As Coble observes, most historians agree that Chiang’s fiscal policies led to “relentless government deficits and inflation” and the collapse of China’s currency, the *fabi*. The questions that he seeks to answer are: “what was the impact of the inflationary policy on the political and military situation of Guomindang China in the Civil War era” and “why did this policy persist?” (pp. 8–9). Coble draws on Chiang’s diaries, the papers of KMT leaders T.V. Soong and H.H. Kung, and on other newly available primary and recently published secondary sources. This concise and engaging reassessment of Eastman’s argument will be of interest to professional historians and accessible to graduate and undergraduate students.

In the introduction Coble places his research in historiographic context, identifies the major questions to be addressed, explains the origins and characteristics of the *fabi*, and identifies its fatal weaknesses in the context of the anti-Japanese war: 1) “[t]he money supply was subject to the whims of ... Chiang Kai-shek”; 2) “military losses by the Nationalist government went hand in hand with the loss of value of the currency used to pay China’s soldiers”; and 3) hyperinflation had a direct negative effect on the morale and combat effectiveness of the troops (pp. 16–17).

Chapter one points out that war drives a “self-perpetuating cycle” (p. 18) of inflation: the supply of commodities falls, demand rises and hoarding increases. Operation Ichigo (Japan’s last-ditch offensive in 1944) intensified this cycle by reducing the Chongqing government’s economic base. The government printed more paper currency to cover rising budget deficits. Corruption was the only way for ambitious people to get rich, for military and civilian bureaucrats to perform their assigned functions, or for ordinary people on fixed salaries to survive. The huge gap between the



official exchange rate of the *fabi* to the US dollar and the black-market rate imposed an economic burden on American forces in China, introducing more tension into an already fraught relationship.

In chapter two, Coble delves into the roles of T.V. Soong and H.H. Kung. Coble offers a judicious description and analysis of the two men, their careers, their American ties, their family and social networks, their fiscal policies, and the charges of corruption and incompetence levelled against them. Chapter three argues that in the months following Japan's surrender, a "series of bad policy decisions" along with "inept administration" (p. 109) and the need to maintain high levels of military spending to fight the expected civil war made it impossible for China to use the economic potential of the areas formerly under Japanese occupation to bring inflation under control.

In chapters four, five and six, Coble shows how the interaction between fiscal policy and the armed forces in 1946, 1947 and 1948 generated a downward spiral of hyperinflation, corruption, declining combat effectiveness, and defeat. Issues considered include the role of the state in the economy, limitations on foreign businesses, the situation in key sectors of the economy, the failure of wage and price controls, and the failure of a new currency (the gold yuan). In the conclusion, Coble brands Chiang's financial policy as "a disaster," which he ascribes to Chiang's belief, rooted in the experience of the warlord era, that "the bigger your army, the stronger your position," his lack of interest in fiscal issues and his habit of covering budget deficits by increasing the money supply (pp. 205, 207, 211).

Coble's Chiang-centred answer to the question of why the KMT's inflationary policy persisted is carefully made. While he lays the ultimate responsibility at Chiang's feet, he does consider the roles of other decision-makers. Coble clearly understands that the legacy of colonialism complicated the task of economic recovery, although he does not discuss it systematically. Japanese occupation and China's renegotiation of the "unequal treaties" had eliminated the legal basis for colonial administration of the institutions and infrastructure of foreign concession areas. Chiang's government inherited responsibility for social management, policing, port management and riverine transportation, electrical generation, factories and more, without the benefit of a transition from foreign to Chinese management (pp. 53, 90, 100, 103, 119, 126, 129). Coble also notes that the Chinese, including Chiang, were aware that while equality was written into the new treaties, Americans and Western Europeans would still relate to China and the Chinese from positions of superior power; their behaviour and expectations would still be informed by the habits of colonialism and racism (pp. 34, 53, 120).

Coble's argument for the cause-and-effect relationship between hyperinflation and the decline of combat effectiveness is convincing. The linkage between hyperinflation and soldiers switching sides requires more exploration. Coble points out that there is no simple answer to the question of why Nationalist soldiers and officers chose to join the Communists (p. 204). Chinese Communist Party members working to convince a soldier to switch sides or an officer to bring a division or corps into the People's Liberation Army made their appeals on the basis of various factors, including the situation on the ground, regional identity, personal relationships, nationalism and the sense of alienation that soldiers and officers in former warlord units felt toward Chiang Kai-shek and the Whampoa-clique officers, whose units received better treatment and often failed to support non-Whampoa units on the battlefield. Coble's conclusion that years of inflation and corruption played a significant role in turncoat motivation (p. 204) is consistent with the evidence. To place that conclusion in the context of a multi-factor analysis of turncoats' motivations would require a separate book.