

Losing the Mainland: Chen Hansheng and Ji Chaoding in the 1940's

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In June 1992, I made a trip into the Yangmingshan suburbs of Taipei where I had the opportunity for a long interview with Chen Lifu 陈立夫 (1900 – 2001) the last of the great Guomindang leaders from the 1930s and 1940s. I carried with me a short letter of greeting from Chen Hansheng. The two men, Chen Hansheng and Chen Lifu, were roughly the same age, never friends, but of course they had known each other since the 1920s, meeting first in Shanghai and Nanjing when Chen Hansheng was the head of the Institute of Social Sciences. We had a wide-ranging discussion about the educational reforms that Chen Lifu led during the Anti-Japanese War and about his background as a University of Pittsburg graduate. But it was the subject of the international propaganda failure of the Guomindang during the 1940s that most energized the old man. He rose from his chair and practically shouted the following rhetorical question and (to me) its surprising answer:

“Question: Do you know why we lost the mainland?”

Answer: It was Chen Hansheng and Ji Chaoding who were responsible!”

In other words, the victory of the Chinese “bandits” in 1949 on the mainland cannot be explained in military terms or credited to the success or failure of leadership on both sides. Nor was public opinion or mass support for the

Communists a critical factor. No, in Chen Lifu's view the most important reason for the outcome of 1949 was the way the Guomindang and the Republican government of Chiang Kaishek (Jiang Jieshi) in Chongqing and Nanjing were undermined by Chen Hansheng and Ji Chaoding. Chen Hansheng destroyed the Guomindang's international position - especially vis a vis the United States. Ji Chaoding disrupted the domestic finances of the government by causing the runaway inflation of currency and the lack of international financial support which brought down the Nationalist regime.

What was Chen Lifu talking about? Was this just the ravings of a bitter old man, or is there a kernel of truth to what he was saying? In this paper I examine the activities of both Chen Hansheng and Ji Chaoding in the 1940s, returning at the end to try to evaluate Chen Lifu's interesting but, on the face of it, nonsensical charges against the two gentlemen.

Background on Chen Hansheng and Ji Chaoding

Like Chen Lifu, Chen Hansheng (1897 - 2004) and Ji Chaoding (1903 - 1963) were educated in the U. S. where they acquired a good command of English and understanding of the American political and economic system. Of the three, Chen Lifu had a practical, problem solving mind of a scientist, with an engineering degree from U. of Pittsburgh. Chen Hansheng and Ji Chaoding held PhDs in the social sciences. All three were interested in politics, Chinese politics. Chen Hansheng and Ji Chaoding had been energized by the May 4th movement of 1919 and were active as student leaders in overseas student organizations during the 1920s. Both men were committed to communism by the end of the 1920s. Chen Lifu's political life began after he returned to China in the 1920s. It was based on the close family connections of his brother Chen Guofu and uncle Chen Qimei to Chiang Kaishek. Chen Lifu became fiercely loyal to Chiang Kaishek after serving as his private secretary during the Whampoa (Huangpu) years of the mid - 1920s. Like the leader, Chen's social philosophy was decidedly traditional and Confucian.

After the 1920s all three men embarked on long careers as political activists. But it was the difference of early student activism on the part of Chen Hansheng

and Ji Chaoding versus the more narrowly traditional political outlook of Chen Lifu which best explains the liberal-conservative split that lay behind Chen Lifu's deep animosity toward and suspicion of Chen Hansheng and Ji Chaoding.

Turning first to the political life of Chen Hansheng and Ji Chaoding, with an emphasis on their activities during the 1940s.

Chen Hansheng was a graduate of Pomona College, University of Chicago, and University of Berlin. At Chancellor Cai Yuanpei's 蔡元培 request he returned in 1924 to accept a chair in European history at Beijing University where he identified with the liberal faction of Western educated scholars like Hu Shi 胡适 and Wang Shijie 王世杰. But Hansheng was more radical and focused on anti-imperialism, especially after the student led May 30th protests of 1925. At the end of 1925, mentored by party founder Li Dazhao 李大钊, Chen joined the Communist international or Comintern. Briefly for three weeks during the spring of 1927 at the invitation of Eugene Chen, Hansheng helped in foreign affairs for the new government being established at Wuhan by Wang Jingwei and the Left Guomindang. With its collapse and the White Terror that followed, Chen Hansheng and his wife Gu Shuxing 顾淑型 fled to Moscow, returning in 1929 to Shanghai where Cai Yuanpei appointed him as the first head of the Institute of Social Sciences under Academia Sinica. By the early 1930s Chen Hansheng's focus was on systematic examination of economic conditions and class relations in the Chinese countryside. This effort resulted in path breaking studies in English and Chinese and the influential journal *Zhongguo nongcun*.^①

Ji Chaoding was from a well-connected Shanxi banking family, a graduate of Qinghua University, as well as the University of Chicago (1925, B. A.) and Columbia University (1936, Ph. D.). Ji lived in the U. S. throughout the 1920s and 1930s and married an American communist. At the suggestion of Zhou Enlai whom he met in Europe, he joined the American Communist Party before later moving to the Chinese party. Academically, Ji was widely recognized for his Ph. D. thesis on *Key Economic Areas in Chinese History*. It won a major prize and is still well-known as a book with the same name. Politically Ji was active in a variety of progressive international movements. Under various pseudonyms he

① *Sige shidai de wo*. 四个时代的我. 陈翰笙 (Beijing, 1988).

wrote articles for the Western press on developments in China. He edited a journal titled *China Today*. Among the most influential articles were reports published in the early 1930s about the Jiangxi Soviet, its policies, and successes vis a vis Chiang Kaishek. ①

By the late - 1930s, both Chen Hansheng and Ji Chaoding were being financed by the Institute of Pacific Studies (*Taiping yangyanjiu hui*). In 1936, after joining the Chinese Communist Party as an underground member, Chen Hansheng moved to New York and joined the secretariat of the Institute of Pacific Relations (IPR). He worked closely with the organization's senior leadership, including Edward Carter, William Holland, and Owen Lattimore, with whom he edited the influential journal *Pacific Affairs* 太平洋事务. In 1937 Ji Chaoding worked for the Institute of Pacific Relations as well, researching a study of *Wartime Economic Development of China*. He also taught at the New School for Social Research in New York. ②

By the late 1930s both men, Chen Hansheng and Ji Chaoding, were well connected in United States foreign policy elite circles. Chen Hansheng's contacts were based on the Institute of Pacific Relations' close relationship with policy makers in Washington, D. C. and New York (Council on Foreign Relations). Ji Chaoding developed important Washington, D. C. connections in the financial field through a classmate at the University of Chicago, the economist Frank Coe, and his close friend, Solomon Adler. Through Coe, Ji gained access to President Roosevelt's chief financial policy adviser Harry Dexter White, and through Adler Ji had contact with Roosevelt's top economic policy maker, the Secretary of Treasury, Henry Morgenthau.

Chen Hansheng (陈翰笙)

In 1939 Chen Hansheng and his wife, Gu Shuxing, returned to Hong Kong

① Greg Lewis, *Shades of Red and White: the Life and Political Career of Ji Chaoding, 1903 - 1963*, unpublished Ph. D. dissertation, December, 1999, Arizona State University.

Key Economic Areas in Chinese History as revealed in documents of public works for water-control (London, 1936; reprint Paragon, 1963). translated into Chinese in 1980s.

② Stephen MacKinnon, "Chen Hansheng and the Institute of Pacific Relations," unpublished paper read at August, 2006, CASS research conference at Erchao, Shandong.

where he published a weekly political journal and acted as executive secretary internationally of the Gonghe 工合 industrial cooperative movement, which had been started by Rewi Alley, Kong Xiangxi 孔祥熙, and others in 1938. From Hong Kong, in 1940 and 1941, Chen Hansheng began to exercise the kind of influence that Chen Lifu thought undermined the Nationalist government in Chongqing's international reputation. In regular reports to the New York office of the Institute of Pacific Relations and through publications like *Pacific Affairs*, Chen Hansheng reported on Guomindang corruption and Chiang's violation of the United Front by launching a surprise attack on the New Fourth Army in 1940 - 41. Chen's reports circulated widely among foreign policy elites in Washington and New York and may well have contributed to growing doubts in Washington about the reliability of the Chongqing regime.^①

After the attack on Pearl Harbor in December 1941, and just after the fall of Hong Kong, Chen Hansheng and Gu Shuxing escaped inland, traveling overland to Guilin. There Chen continued to work for the Gonghe Indusco movement, teach in local universities (*Guilin shifan daxue*), and publish on the condition of the wartime economy. Guilin provided a major opportunity for interacting with Western journalists, diplomats, and intelligence officers who were reporting on the China war. Recently released documents from the Public Records Office in London and the U. S. Military Archives in Washington indicate how seriously Chen Hansheng's reports and interviews were taken at the time as a source of reliable information on political and economic developments in wartime China. Likewise interviews with veteran journalists Bill Powell and A. T. Steele confirm that Chen Hansheng was a major source for their reports on wartime developments for the daily press in the U. S.^② And finally, because of his

① See Institute of Pacific Relations papers: Chen Hansheng folders and the Indusco archives in the special manuscript division of Butler library, Columbia University. Chen Hansheng also conducted a three month investigation with former student Chen Hongjin 陈洪进 at the Burmese/Thai border or *Xishuangbanna* region. It was published in 1946.

② For British government records, see for example FO371 files for China theatre and references in Yu Maochun, *OSS in China* (Berkeley, 1999). Confirmation of activities in interviews with Bill Powell, San Francisco, 1982 and A. T. Steele, Sedona, 1981, both journalists working in Guilin. See also MacKinnon and Fricson, *China Reporting: An Oral History of American Reporting, 1930s and 1940s* (Berkeley, 1987).

previous connections in Washington, D.C. and New York city, Chen Hansheng conducted lengthy briefing sessions with Laughlin Currie, President Roosevelt's personal emissary to China, on both of his fact-finding trips in 1941 and 1942.^①

Considering the importance and visibility of his activities in Guilin, it was not surprising that during the spring of 1944, Chen Lifu ordered Chen Hansheng's arrest. Fortunately, Chen Hansheng was warned in advance by a local militarist, General Li Jishen 李济深, giving him time to ask British authorities in Guilin for help in arranging a quick escape (by airplane) and political asylum in India.^② When Gu Shuxing and Chen Hansheng arrived in Calcutta in May 1944, they found the atmosphere too dangerous because of the heavy Guomindang presence in the city (Calcutta was the command post for military operations directed at protecting and constructing the Burma road). So the couple moved quickly to New Delhi, where Chen Hansheng lectured at Indian universities and conducted research on the Indian rural economy while Gu Shuxing worked in the wartime information service. Chen's nominal employer was the British wartime information service (and for this reason he was later accused of acting as a British spy).^③ For the next two years, from 1944 to 1946, Chen circulated widely among Indian academics and intellectual elites.^④ He wrote and published (Oxford India Press, 1945) a classic study entitled *The Chinese Peasant*. He developed friendships with the diplomat-historian K. M. Panikkar (later India's first ambassador to Beijing) as well as with American and British officials and academics like John Keswick, Arnold Toynbee, Alice and Daniel Thorner,

① Laughlin Currie papers, Box 1, Hoover Library, Stanford University and Institute of Pacific Relations papers, Rare Book and Manuscript Collection, Butler Library, Columbia University, letters to William Holland. See also Christopher Thorne, *Allies of a Kind* (London, 1963) for the importance of IPR activities and the Currie missions during this period.

② Chen Hansheng was helped by British consul general Bryan and intelligence chief, Colonel Lindsay Ride, see Public Records Office, London: FO records and special collection of Ride's wartime private papers. Interview with Chen Hansheng, Beijing, June, 1985.

③ Examination of the intelligence service and information service wartime records in London show no evidence that Chen Hansheng was doing this kind of work.

④ Interview, Beijing, June, 1985. The publication *India Quarterly* for 1945 and 1946 carries a number of articles by Prof. Chen; Indian activities further confirmed in interview with Alice Thorner in Mumbai, February, 2004, and PRO archival materials.

journalist Edgar Snow, and others. Chen continued to write and send reports on conditions in China back to the Institute of Pacific Relations leadership in New York. His stay in India concluded in 1946 when he received by courier (Peter Townsend) a message from Zhou Enlai directing him and Gu Shuxing to proceed to the U. S. A. and continue to work internationally as a link in support of the New soon to be liberated China.

Ji Chaoding (冀朝鼎)

Ji Chaoding returned to China after fifteen years in the U. S. in March 1940. He was traveling on a diplomatic passport as a member of the Chinese Nationalist Government's Financial Mission to the U. S. Ji had been recruited in New York for this role in 1939 by the Shanghai banker Chen Guangfu (K. P. Chen) 陈光甫 who wanted help in managing the Universal Trading Corporation 环球进出口公司, a quasi-government vehicle for the transferring of loans from the U. S. Treasury Department to the Nationalist government in Chongqing.^① Ji accompanied Chen Guangfu in March 1940 on a fact-finding mission to China, entering through Burma with a long stay in Chongqing.

Ji Chaoding returned to New York in December, 1940, and was appointed secretary general of the newly established international body, the Sino-American British Currency Stabilization Board 中美英平准基金委员会, which superseded the Universal Trading Corporation as the vehicle for U. S. government loans. Again his boss was the Shanghai banker and University of Pennsylvania graduate, Chen Guangfu. The American representative on the Board was Ji's good friend, Solomon Adler. It was under the auspices of the Board that Ji traveled again to Shanghai and Chongqing in July 1941. It was during this trip that Ji met and began to work closely with Kong Xiangxi 孔祥熙, an old friend of Ji's father, who as Finance Minister controlled the activities and policies of the government body, Currency Exchange Control Commission, which negotiated with the Currency Stabilization Board from Chongqing. Ji won

① See feature article on Universal Trading Corporation in *Fortune* 22: 6 (December, 1940). Details in K. P. Chen papers, boxes 1 - 8, and oral history (1980), at Buder Library, Columbia University. The latter contains much documentary materials on the Ji-Chen Guangfu relationship.

Kong Xiangxi's confidence and soon joined the staff who lived in the large Kong family compound in Chongqing.^①

Over the next three years, from 1941 to 1943, Ji was in the middle of Nationalist government's international financial dealings. He wrote major reports on the nature of the black market in currencies as well as played a key role in the negotiation in 1942 of the 500 million dollar currency stabilization loan. In late 1942 he made a trip to Xinjiang with Solomon Adler (the U. S. Treasury Department's representative in Chongqing) and wrote a long report on the politics of the region for Zhou Enlai.^② At the same time through the Institute of Pacific Relations he published a book titled *Wartime Economic Development of China*, which was often quoted in policy circles in New York and Washington, D. C. Moreover, there is convincing evidence that Ji was the main source for the regular reports Solomon Adler wrote on the Chinese economy and government finances for Secretary of the Treasury Morgenthau.^③ These reports were often read personally by the President, F. D. Roosevelt, for an understanding of the Chinese situation. Thus Morgenthau's growing cynicism about the credibility of Chinese economic leadership certainly owes a lot to the careful behind the scenes work of Ji Chaoding. Also, as noted by Chinese biographers like Tang Jiming 唐基明, in terms of party work in Chongqing, Ji continued to be indirectly in touch with Zhou Enlai and was the key person funneling hard currency in the form of U. S. dollars to Yan'an from Chongqing.^④

In July 1944, Ji Chaoding returned to the U. S. (New York) as a member of

① Solomon Adler, taped interview, Beijing, 1983. See also note 13.

② Tang Jiming 唐基明 biography of Ji Chaoding.

③ See *Morgenthau Diary (China)*, vols. 1 & 2, and 1983 Beijing interview, Solomon Adler.

④ 《史学月刊》2006年第2期。

Gregory Scott Lewis, 魏明, synopsis:

1939年底，冀朝鼎以地下党身份由美回国，通过陈光甫担任国民党政府的“环球进出口公司”襄理，从事出口中国桐油、进口美国战略物资等业务。其间曾化解了桐油危机并获得美国援助的锡贷款，还赴滇缅公路视察桐油运输情况，以打破日本的海上封锁。1941年，他利用与孔祥熙的“世交”关系，经美国友人推荐，出任“中美英平准基金委员会”秘书长，以维护法币的国际币值。他和一些美国高层官员私交甚厚，因此成为国民党财政部和美国财政部沟通的桥梁。在平准会后期他成为关键且具争议性的人物。在汇率上的丰富经验使他成为新中国初期最有创新精神的经济事务官员。作者查阅了大量美国档案资料。这篇译文是作者文章的一部分。

the official Chinese delegation to the Bretton Woods postwar economic planning conference. Before leaving for New York, he was interviewed by Chen Lifu who directly accused him of being a Communist. Only after personal intervention by Kong Xiangxi was Ji permitted to join the Mission.^① Ji remained in New York and Washington, D. C. for the next year, until July 1945, when he returned to Chongqing and then after the war moved to Shanghai.

During the 1944 ~ 45 period Ji was instrumental in managing gold bullion shipments from the U. S. and negotiating forgiveness of debts owed to the U. S. Army at the end of the war. It was also a time when Song Ziwen became Minister of Finance and Kong Xiangxi fell into disgrace. Yet Ji Chaoding soon found a way to adjust to the new political situation and remain influential in Guomindang financial circles.^②

Civil War Years

The final chapters in Chen Hansheng's and Ji Chaoding's Republican period careers are the best known. Chen Hansheng was active in the U. S. A. as a visiting Professor at major universities in the U. S. A. Ji Chaoding operated out of Shanghai as the head of the Research Department of the Bank of China. Both men continued to be influential - but in different ways. Chen Hansheng lectured and published widely in the U. S. on conditions in China. At the same time, as part of his underground work, he was in contact with the American Communist Party and through Zhang Hanfu 章汉夫 remained in touch with Zhou Enlai, Gong Peng, and others. Chen also oversaw and advised party members who were students in the U. S. at the time like Xue Baoding. In 1948, at the time of Feng Yuxiang's 冯玉祥 visit to the U. S., Chen Hansheng acted as Feng's chief contact, facilitating visits to Washington, D. C. and arranging public speaking engagements.^③

Ji Chaoding on the other hand, from 1945 to 1949, taught in Shanghai universities, and edited two major Central Bank journals and other publications.

① Adler 1983 interview and Chen Lifu, *Chenghai zhi qian 成败之鉴?* (Taipei, 1994), pp. 338 - 40.

② See Lewis unpublished Ph. D. dissertation, chapter 4.

③ 四个时代的我, 陈翰笙

The articles in these journals were important statements and hold up well today as accurate reports on conditions in inflation-ridden Chongqing and Shanghai.^① Ji was politically secure because of the political protection he enjoyed from the new Finance Minister (and former mayor of Shanghai), Yu Hongjun (known in U. S. as O. K. Yu). Yu also entrusted Ji with responsibilities to represent China on United Nation Relief committees. Moreover, one of Ji's most enduring achievements during period was the recruitment of staff members for the Research Department of the Bank, many of who were communists and would become key figures in the early history of the People's Bank of China.

It also has been argued that Ji and his staff learned important lessons at the time which they later put to good use after 1949 to control runaway inflation, the black market, and to stabilize the circulation of currency.^②

Conclusion

It was because of such activities by Chen Hansheng and Ji Chaoding that Chen Lifu suspected both men as early as 1944 of being communists who posed serious threats to the future of Nationalist China. Chen Lifu ordered the assassination of Chen Hansheng in Guilin in the spring of 1944 and at about the same time would have arrested Ji in Chongqing if it had not been for the personal intervention of the Finance Minister Kong Xiangxi.

How responsible then were Chen Hansheng and Ji Chaoding for undermining the Nationalist government in the Chongqing period and later during the civil war years? In retrospect, based on memoirs, interviews, and the surviving historical record from the U. S., Chen Lifu's suspicions in 1944 as well as his accusations in 1991 were at least partially justified.

Chen Hansheng worked systematically to damage the Nationalist Government's reputation internationally. By the 1940s he was well known in the U. S. as a reliable, frequently consulted authority on the politics and economy of China. He was also well connected personally through the Institute of Pacific Relations to a variety of foreign policy makers in Washington like Harold Ickes and Laughlin

① *Zhongyang yinhang yuebao*, 中央银行月报 New series, 3: 10 (October 1948): 46-54.

② Dong Zhikai 董志凯, *Jianxin qibu guoji shichang de jishen* (1993).

Currie. By the late 1930s during the Ambassadorship of Hu Shi in Washington, Chen Hansheng regularly challenged the Guomindang's version of events in China. A clear example was Chen Hansheng's reporting on the New Fourth Army Incident of 1940 - 41. Less well known are his detailed reports on the deteriorating condition of the economy in Nationalist controlled areas. These were widely read by foreign journalists and diplomats. After the war, Zhou Enlai, recognizing Chen Hansheng's effectiveness as a spokesperson for new China, instructed him to return to the U. S. (from India) and lead the campaign to influence American public opinion. In terms of effectiveness, the record shows that after 1946 and the failure of the Marshall Mission to China, the reputation of the Nationalist government in the U. S. steadily declined (despite efforts by Henry Luce and Chiang Kaishek's China lobby).^① Little wonder then that Chen Lifu concluded that Chen Hansheng's efforts had a damaging effect on Guomindang diplomacy during the 1940s.

Similarly, as an underground communist since the 1920s, Ji Chaoding worked to undermine the Guomindang's international reputation as a reliable financial partner. In Chongqing and New York during the war he was a key figure in the negotiation of major loans with the U. S. Secretary of the Treasury, Henry Morgenthau. Through Solomon Adler, Ji made Morgenthau well aware of the corruption and misuse of funds by the Guomindang. The Nationalist government in Chongqing was frustrated by the conditions the Americans put on the loans and slowness of delivery of funds. This may in part have been the result of Ji Chaoding's work. Ji was also influential domestically in financial circles in Chongqing and later in Shanghai through patrons, Chen Guangfu, Kong Xiangxi, and Yu Hongjun in that order. How much Ji contributed to the failure of the Bank of China to control inflation during the civil war years is an open question. But Chen Lifu seemed to think that Ji was personally responsible for the failure.

Thus in different arenas, international relations and finance, Chen Hansheng

^① See works of Zi Zhongyun, *Meiguo dui Hua zhengce di yuan qi he fazhan, 1945 - 50 (1987)*, in translation, *No Exit? Origin and Evolution of U. S. Policy toward China, 1945 - 50 (2003)* and Michael Schaller, *U. S. and China (4th edition, 2004)*.

and Ji Chaoding persistently worked to undermine the credibility of the Nationalist (Guomindang) government in Chongqing. Both men had been dedicated underground communists since the 1920s. And in the 1930s both men developed reputations as outstanding scholars with international reputations. By the 1940s both were extremely well connected politically as well - Chen Hansheng with U. S. foreign policy elites in Washington and New York and Ji Chaoding with both U. S. and Chinese financial decision makers. Moreover, their knowledge of the economic and political system of Western countries was unparalleled, based as it was on years of study, teaching, and contacts developed in New York and other places. Little wonder therefore that in 1944 Chen Lifu feared the activism of these men and tried to stop them, and then later, in 1991, blamed them for the loss of China.