

CHAPTER 2

Hyperinflation and the Rivalry between T. V. Soong and H. H. Kung

FOR TWELVE YEARS, FROM THE SUMMER OF 1937 THROUGH the end of 1949, inflation and then hyperinflation ravaged the Chinese economy. This was not the only factor that led to the ultimate defeat of Chiang Kai-shek, but it was certainly a major one. Normal economic activity could not occur under such strained conditions. In the last months of this era, news photos showed Chinese taking wheelbarrows full of cash to go shopping for everyday items. Morale among both the civilian and military components of the Chiang regime fell steadily, as did its international prestige. In April 1946, for instance, professors at three major Shanghai universities – Fudan, Jiaotong, and Tongji – went on strike, complaining that their salaries had fallen well below the average for rickshaw pullers.¹ In August 1946, a professor at Southwest United University (Lianda) in Kunming calculated that the real value of salaries of professors at the institution had fallen by 98 per cent since the start of the war against Japan.² While salaries of government officials were increased on a regular basis during this era, Suzanne Pepper wrote, “these adjustments never corresponded to the actual rise in the cost of living and so did little to alleviate the impoverished conditions of teachers and civil servants whose real income remained in most cases insufficient to maintain their basic livelihood.”³

Rightly or wrongly, the blame for this situation has often fallen upon T. V. Soong (Song Ziwen) and H. H. Kung (Kong Xiangxi). Together, the two men dominated key financial positions in Chiang Kai-shek’s government from 1928 until 1949. Both at the time and in historical writing, they were deemed the architects of China’s financial policies during the years when Chiang ruled on the mainland. After T. V. Soong

joined with Chiang in 1928, for instance, he served as minister of finance and later head of the Central Bank of China until resigning in October 1933, after which he still held several positions including leader of the Bank of China from April 1935 until 1943 (Figure 2.1). In a semiofficial capacity, he established the China Development Finance Corporation (Zhongguo jianshe yin gongsi) to organize economic projects.⁴ The agency put together financial packages for a variety of companies that became identified with Soong and his family. The board of directors of affiliated companies was usually headed by Soong or one of his brothers or Xi Demou, father-in-law of T. L. Soong (Song Ziliang) or Hu Yuzhang, father-in-law of T. A. Soong (Song Zi'an). The family identification was strong.⁵

Soong's activities blended into the private sector of the economy. In April 1937, for instance, T. V. became a partner and member of the board of directors of the Nanyang Brothers Tobacco Company, one of the largest Chinese-owned enterprises. During wartime, Soong played an



2.1. T. V. Soong, brother of Madame Chiang Kai-shek. Pictures from History/Universal Images Group/Getty Images

even larger role as Chiang's personal representative in Washington from mid-1940, and he served at times as minister of foreign affairs and head of the Executive Yuan. Even in that position, he focused on economic issues, as one of his major tasks was to gain financial support from America and Britain for China's war effort. He resigned as head of the Executive Yuan in March 1947 in part in response to the financial crisis and under heavy criticism within the Guomindang itself, but Soong remained active in determining Chinese financial policy until January 1949 when he departed China for the United States.⁶

H. H. Kung held a similarly impressive list of positions in the Guomindang government. He joined with Chiang in 1928 to become minister of industry and commerce and assumed control of the ministry of finance following Soong's resignation in October 1933, a position he would hold for over a decade. He traveled to Europe and America in the spring and summer of 1937 seeking foreign assistance even as war broke out. In the summer of 1944, he represented China at the Bretton Woods Conference, which established the postwar economic regime (Figure 2.2). But Kung resigned these positions in May and June of 1945 and moved to the United States in 1948.⁷

These two men thus dominated key positions in finance and banking during the Chiang era. Their prominence meant that they became linked to the spectacular failure of *fabi* during the twelve years of war from 1937 to 1949. *Fabi* itself had been created in 1935 when H. H. Kung was minister of finance, so he was identified with the policy from its inception.

Yet the high profiles of Kung and Soong were not simply a matter of their official positions in government but also because of their family connections to Chiang Kai-shek, who was also known as the Generalissimo. Authority in the Guomindang government ultimately rested with him. The actual power wielded by an individual who was in a position such as minister of industry or head of the Executive Yuan was far more dependent on his relationship to Chiang than on the office itself. Kung and Soong always carried both authority and responsibility associated with their family connections rather than just their formal positions in government at any particular moment.



2.2. H. H. Kung with John Maynard Keynes at the Bretton Woods Conference in July 1944. Bettmann/Getty Images

This was amply illustrated when Chiang sent T. V. Soong to the United States as a personal representative during the war. Arriving before Pearl Harbor and seeking to gain support, particularly financial support, from America, Soong immediately superseded the Chinese ambassador and foreign affairs staff in the United States. Officials in Washington dealt with Soong as Madame Chiang's brother, someone with a direct line to the Generalissimo. Soong thus assumed responsibility for a wide range of issues unrelated to any formal position in government.⁸ A brief look at the telegrams between Chiang and Soong held at the Hoover Institution at Stanford University reveals this clearly.

During the war, most of the banknotes used in China were printed in the United States and shipped to China. When Pearl Harbor occurred, Soong was immediately concerned about the supply of notes and telegraphed Chiang on December 12, 1941, asking about the inventory. If

the need for more was urgent, Soong was concerned about alternate transport routes in view of the eruption of war. On December 24, 1941, he telegraphed Chiang that he had arranged for a shipment in the Philippines to be burned as it became clear that they would fall into Japanese hands.⁹ Soong's quick action on this matter occurred not because of his actual position in the Chinese government – he was not minister of finance – but because of his status as Chiang's personal representative and brother-in-law.

Even outside factors magnified Soong's role. Prior to Pearl Harbor, American secretary of state Cordell Hull was very concerned about alienating Japan and reluctant to take any action which might appear to aid China. Meanwhile, President Franklin Roosevelt habitually bypassed the Department of State, often using personal envoys or informal contacts to conduct foreign policy.

Roosevelt's approach was particularly notable during the period before Pearl Harbor. He was concerned about the fate of China and wished to help but was limited by American neutrality laws and isolationist sentiment in the US Congress. A foretaste of what was to come occurred shortly after Roosevelt's inauguration. At that point, the United States did not have diplomatic relations with the Soviet Union. Worried about potential German and Japanese aggression, Roosevelt felt that the United States should open channels to Moscow. The secretary of state Cordell Hull and much of the department's establishment remained firmly opposed to the move. Rather than challenge them directly, Roosevelt established a back channel. He turned to Henry Morgenthau, Jr., a political and personal associate from New York state whose wife was also close to Eleanor Roosevelt. Morgenthau was then governor of the Farm Credit Administration. The president had Morgenthau open discussions with a Soviet diplomat in Washington on the pretext of the sale of American agricultural products to the Soviets. These moves eventually led the State Department to get on board and diplomatic ties were established.¹⁰ In November 1934, Roosevelt appointed Morgenthau as secretary of the treasury.

Roosevelt wanted to show some support for China as Japanese increased their pressure. The Chinese had moved off the silver

standard in 1935 and issued the fabi. Roosevelt had Morgenthau receive a Chinese delegation led by the banker Chen Guangfu to discuss American purchase of Chinese silver, which would shore up the Chinese currency. Morgenthau agreed to have the Treasury purchase Chinese silver monthly for the remainder of 1936. Both Morgenthau and Roosevelt wanted to encourage China to resist Japan and acted despite reluctance from the American State Department.¹¹ Later, when H. H. Kung arrived on June 30, 1937, Roosevelt urged Morgenthau to show support for China to boost Chiang Kai-shek as well as Kung. On July 8, Morgenthau told Kung that the United States would purchase 62 million ounces of Chinese silver at forty-five cents an ounce. Neither man realized that the clash at the Marco Polo Bridge (Lugouqiao) the previous day would herald the start of war.¹² In both cases, Roosevelt bypassed the State Department, which advocated a more cautious approach to China.

The eruption of war between China and Japan in 1937 – though undeclared – would severely hamper Roosevelt and Morgenthau in their efforts to shore up China and skirt American neutrality laws. Nonetheless, the Treasury extended its silver-purchase agreement and allowed China to receive dollar credits against gold held in America. Roosevelt basically pushed the limits of the neutrality rules, side-stepping the State Department.¹³ But Morgenthau had soured on Soong by 1944 and 1945. But when T. V. Soong first arrived in Washington as Chiang's personal representative, he found a situation where he could use personal diplomacy with Morgenthau. The latter was a supporter of China, following Roosevelt's lead. The Chinese diplomatic staff in the United States dealt with the more hostile State Department.¹⁴ China's connections to America were thus forged through finance, highlighting the role of both Kung and Soong in the process. Since this was a foreign policy issue but handled on both the American and Chinese end by Soong and Kung as financial leaders, this increased their role. In particular, T. V. Soong learned to manipulate bureaucracies in Washington and proved invaluable for Chiang.¹⁵ Eventually Soong's aggressive tactics would alienate many in the American government, particularly at the War Department and finally even the Treasury. But Soong fought hard for China.¹⁶

AMERICAN TIES

One striking feature of the political leaders who directed China's war-time finances, as well as key figures in banking and government who were often indirectly involved in financial policy, was the high proportion who had an American education. The most famous group, of course, was the Soong family, the six children of Charles Soong, who himself had graduated from Vanderbilt University in the United States (Figure 2.3). The two oldest sisters, Soong Ai-ling and Soong Ching-ling, both attended Wesleyan College in Macon, Georgia. Ai-ling married H. H. Kung (Kong Xiangxi), who attended a missionary school followed by study at North China Union College, a school near Beijing. He later graduated from Oberlin College in Ohio and received an MA in economics from Yale University. Ching-ling of course married Sun Yat-sen, leader of the Nationalist Party until his death in 1925. The youngest sister Mei-ling (Madame Chiang Kai-shek) lived in Macon as a teenager and then later graduated from Wellesley University near Boston, where she moved to be close to her brother T. V. Soong (Song Ziwen), who graduated from Harvard University. The second son, T. L. Soong (Song Ziliang), attended his father's alma mater of Vanderbilt, and the youngest, T. A. Soong (Song Zi'an), attended Harvard.¹⁷

Yet the circle of those with an American education was much wider. Chen Guangfu was a famous commercial banker in China who founded the Shanghai Commercial and Savings Bank. He had an extensive education in the United States, studying at Simpson College in Iowa and Ohio Wesleyan University. Following that, he received a degree in business from the Wharton School at Pennsylvania University, one of America's most prestigious business schools. Perhaps because of his American training, the Chinese government often prevailed on him to lead delegations to America. In 1936, for instance, he led a group of Chinese to Washington to try to persuade the government to modify its silver-purchase policy. In late 1938, he went back to attempt to arrange a loan based on tong oil exports, and in April 1940, to facilitate a loan based on tin exports from Yunnan. These were but the first of many trips that obviously built on his American connections.¹⁸



2.3. Charles Soong (Song Jiashu) with members of his family in Yokohama Japan, August 25, 1914. Back row: T. L. Soong (Song Ziliang), Charles Soong, H. H. Kung (Kong Xiangxi). Front row: T. A. Soong (Song Zi'an), Soong Ching-ling (later Madame Sun Yat-sen), Madame Soong (Ni Guizhen), and Soong Ai-ling, who would soon marry H. H. Kung. Not in Japan: T. V. Soong and Soong Mei-ling (the future Madame Chiang Kai-shek). Pictures from History/Universal Images Group/Getty Images

Yu Hongjun (O. K. Yui) began his Western-based education at St. John's in Shanghai and later studied at the University of Michigan, where he worked with the economist C. F. Remer. He served as vice-minister of

finance under H. H. Kung from June 1941 to November 1944 and then later as minister of finance himself. In 1945, he also served as governor of the Central Bank of China.¹⁹ Wu Guozhen (K. C. Wu) was not really a financial official but served in several positions, including mayor of Shanghai in the Civil War period – a job that put him at the forefront of dealing with inflation. A graduate of Qinghua University, he received an MA from Grinnell College in Iowa and then a doctorate from Princeton University in 1926.²⁰ Even those without formal training in the United States often had extensive experience there. Li Ming, a major private banker and founder of the Zhejiang Industrial Bank, studied at an academy in Hangzhou operated by Southern Baptist missionaries before going to Japan to study. Yet he spent much of World War II (March 1941 to 1945) living in the United States and was a member of the Chinese delegation to the Bretton Woods Conference.²¹ But these individuals are only a few of those with educational training in the United States.

China's most famous diplomat during these years was V. K. Wellington Koo (Gu Weijun). Koo attended St. John's Academy in Shanghai before going to the United States and studying at Columbia University in New York. He finished his undergraduate degree in 1908, a master's degree in political science in 1909, and doctoral degree in 1912. His fluency and speaking proficiency in English was so great that as an undergraduate he won the Columbia-Cornell Debating Medal.²² Shi Zhaoji (Alfred Sze), another diplomat who served in Washington during the war, had studied at St. John's in Shanghai before being appointed a student interpreter for the Chinese minister to the United States. While in Washington, he enrolled and graduated from Central High School and later studied at Cornell University, graduating in 1901 and receiving a MA degree in 1902. He served in Washington during the war, and after Pearl Harbor he handled procurement of weapons from America as vice-chair of the China Defense Supplies Commission.²³

What impact did American education and training have on the relationship between Chinese and Americans regarding financial and banking policy? Perhaps the important factor was that, in negotiating with American leaders, those Chinese officials with an American education could usually converse in English without having to use an interpreter. That advantage was almost entirely one-sided, as few American leaders

spoke any Chinese or had lived in China to any extent. Even in high-level talks where translations were needed, Americans often relied on those on the Chinese side who were bilingual. When Vice-President Henry Wallace visited China, for instance, T. V. Soong traveled with him during the entire visit and translated when needed.²⁴ Soong seemed to have preferred to use English even with Chinese officials. Wu Guozhen, who often worked with Soong, serving for a time as vice-minister of foreign affairs and who had done his graduate work in America, recalled that Soong talked to him in English. Wu's recollection was that Soong spoke Shanghai dialect but that his Mandarin was not so good.²⁵ One of Soong's major enemies within the Guomindang, Chen Lifu (part of the C. C. Clique with his brother Chen Guofu), put a much more negative spin on the issue. "T. V. Soong had come from abroad, possessed little knowledge of the Chinese language, and used English in his daily dealings and also in written communication," Chen wrote in memoirs published after 1949.²⁶

The routine use of English among the top leadership of the ministry of finance meant that the American adviser Arthur N. Young could play a more active role than might have otherwise occurred if translations were always required. Arthur Young had served as an economic adviser in the US Department of State from 1922 to 1928, providing advice to American minister Jack MacMurray when he was negotiating an agreement on tariffs with T. V. Soong, then minister of finance in Nanjing in 1928. That encounter led Young to join a commission of financial experts to China headed by Edwin W. Kemmerer, who had been Young's graduate professor at Princeton University. When the commission's visit ended, Soong invited Young to stay on as an economic adviser to the Nationalist government, a task which lasted almost twenty years. With connections in the State Department and an Ivy League education that he shared with many of the top Chinese leaders, Young became a bridge between the United States and China. In a period when China needed American economic support, Young played a vital role.²⁷ The British adviser Cyril Rogers was in a similar situation. In August 1946, T. V. Soong invited him to take a leave from the Bank of England and become an adviser to Bei Zuyi at the Central Bank with the particular responsibility for aiding currency stabilization.²⁸

Experience in America could be very useful when determining how to deal with American visitors and officials. Many Chinese lacking such experience often found the behavior of Americans baffling. But someone such as Soong Mei-ling or her brother T. V. Soong, with varied and lengthy exposure to American society, was in a good position to “size up” an American official. Many of the Americans concerned with Chinese affairs came from a missionary background. They were usually deeply religious, more commonly from the Midwest, and often abstained from alcohol. By contrast, those from a business or banking background were more likely to be from the coasts, less straitlaced and more likely to enjoy alcoholic beverages. T. V. Soong would frequently present a bottle of Scotch to visitors to China in the latter group, knowing that the gift would be appreciated. Later when he moved to the United States after 1949, he would often send such a gift at Christmas time.²⁹

Soong Mei-ling was known to turn on the charm and virtually flirt on occasion with American envoys such as Wendell Wilkie, who was particularly impressed (Figure 2.4). Claire Chennault was also a great fan.³⁰ When Roosevelt sent personal envoys to China, Madame Chiang usually



2.4. Chiang Kai-shek with the Soong sisters in 1942. From the left: Madame Chiang Kai-shek (Soong Mei-ling), Madame H. H. Kung (Soong Ai-ling), Chiang Kai-shek, and Madame Sun Yat-sen (Soong Ching-ling). Bettmann/Getty Images

sat in on the meetings. Lauchlin Currie, an economist and aid to Roosevelt, made his second trip to China in the summer of 1942 (this time officially representing the United States). He had ten different meetings with Chiang Kai-shek, all attended by Madame Chiang.³¹

Finally, many of the Chinese who had studied in the United States had attended elite colleges such as Harvard or Yale for men and Radcliffe or Wellesley for women. In the prewar and wartime era, the number of people with a college education in the United States was much lower than today. To a considerable degree, top positions in government, banking, and business were dominated by those with Ivy League educations. Many Chinese with backgrounds in the same institutions could use school ties as part of the socialization with their American counterparts. There were exceptions, including prestigious liberal arts colleges like Grinnell College in Iowa, the alma mater of Wu Guozhen as well as Harry Hopkins, one of Franklin Roosevelt's closest associates and generally considered a friend of China.³²

These connections provided Chinese officials with a major advantage when dealing with their American counterparts. Yet despite this, major conflicts developed between the two allies that led to considerable tension. Individuals such as Morgenthau, who had been considered in the China camp early on, became hostile to the Chiang government because he disagreed with Chinese policies on the exchange rate and the sale of gold by China, among other items. Ultimately, decisions were made by Chiang Kai-shek, who did not have experience in America.

Most of the American-educated Chinese officials recalled fondly their college days there and had close friendships with some of their fellow classmates. But there was certainly a dark side to studying in America. Anti-Chinese racist sentiment was widespread and had deep roots. In the late nineteenth century, "white supremacist politicians routinely used racial arguments to justify the Chinese Exclusion Act of 1882," noted Charlotte Brooks. "The racism that these Chinese encountered almost everywhere in the United States deeply shaped their ideas about . . . Chinese identity in general."³³ In encounters with immigration officials, government bureaucrats, landlords, police, and others in almost any situation, ethnic Chinese would encounter racism in America. The 1924 Immigration Act, which banned Asians, made explicitly clear that

the United States did not welcome Chinese. “Racial discrimination in the United States meant that full membership in the American nation remains elusive of all but white citizens,” Brooks noted.³⁴

In dealings with Americans in China, many who returned from sojourns in the United States were particularly sensitive to slights. This occurred even at the top levels. In 1943, Madame Chiang Kai-shek made a triumphal visit to the United States with speeches to Congress and large public gatherings. Her trip was designed to garner public support for China. Some Chinese groups in America hoped that she would raise the issue of discrimination against Chinese. She largely refused to do this because she felt that it would detract for the key purpose of trip, getting American support for China. But as Grace Huang noted, “no matter how Americanized Mme. Chiang and her siblings appeared to be, they had also been on the receiving end of discrimination during their years in the United States.” In a speech that she made to a Chinese audience in Chinatown in New York, Madame Chiang noted that as girls, she and her sisters were not allowed to attend the public, white schools in Georgia. They were tutored in the home of their white host family.³⁵

After World War II when extraterritoriality was gone, many Americans and British were slow to recognize the new reality. They often found Chinese officials, even those with substantial experience in America, hostile and nationalistic when they were not pliant in dealing with their more powerful allies. Close familiarity and shared goals often masked a prickly relationship.

TIES TO CHIANG: THE DOWNSIDE

T. V. Soong and H. H. Kung held much of their status in the Nationalist government because of their personal connections to Chiang Kai-shek. But close family ties to Chiang had a downside. Chiang had a ferocious temper and could be very stubborn. Perhaps the most famous example of this occurred when Zhang Xueliang, vice-commander of Chinese forces, placed Chiang under house arrest in the Xi'an Incident in December 1936. After Chiang negotiated with the Chinese Communists, Zhang released him and as a measure of good faith flew back to Nanjing. Chiang promptly had him

placed under house arrest and kept him there. He remained a captive in Taiwan when Chiang died in April 1975.

Soong clashed with the volatile Chiang on occasion, often with disastrous results for Soong. When he returned from Washington in 1943, notes Chinese scholar Wu Jingping, he had a heated argument with Chiang in mid-October regarding the position of General Joseph Stilwell. Soong had worked assiduously in Washington to get Stilwell recalled, which had been in accordance with Chiang's wishes when Soong left China. But in the meantime, Chiang, perhaps influenced by Madame Chiang Kai-shek and her sister Soong Ai-ling (Madame H. H. Kung), had decided that he should retain Stilwell in part to deal with Lord Louis Mountbatten, then in charge of the newly created Southeast Asia Command. After an exchange that featured smashed teacups, a furious Chiang completely shut Soong out of government for several months. As Hsiao-ting Lin noted, Chiang labeled Soong "perverse, violent, foolish, and treacherous" in his personal diary. Soong had been handling China's relations with the United States and other countries from Washington, but now Chiang sent Kung to the Bretton Woods Conference in June 1944 even though Soong might have been a better representative.³⁶

Soong's sudden fall from grace caught many foreigners who dealt with him off guard. When Lord Mountbatten visited Chongqing for five days in late October 1943, he found Soong "indisposed" and unavailable.³⁷ Soong's adviser, Dr. Ludwig Rajchman, telegraphed Chongqing in December 1943 trying to find out when Soong might return. But T. V. could only reply cryptically: "shall communicate with you in a few weeks. Warmest regards." He was confined to Chongqing and stripped of his political role.³⁸ Soong was not above trying to manipulate Americans to help his position. On November 11, 1943, he telegraphed Shi Zhaoji (Alfred Sze) in Washington requesting that he discreetly approach Harry Hopkins, Roosevelt's trusted adviser, and ask him to provide an endorsement of Soong.³⁹ Meanwhile, Soong was missing in action at the Cairo summit, where Chiang met with Roosevelt and Churchill. Chiang apparently was not well prepared for the meeting, perhaps in part because Soong did not assist in preparations and Chiang had to rely on working with Stilwell, which did not go smoothly.⁴⁰

American leaders, many of whom preferred to work with Soong perhaps because he was more American in approach and personality than other Chinese officials, speculated about the source of Soong's problems. In a memo of March 7, 1944, John Service suggested that several factors led to the split between Soong and Chiang, including a personality clash, his failure to deliver sufficient American aid, his independence as foreign minister, and his failure to provide adequate help for Madame Chiang on her American visit. Service felt that his criticism of China's economic policy had alienated Soong Ai-ling and her husband H. H. Kung. Ultimately, he felt that the break was really a confrontation over control of finance and economic policy. At that point, Kung seemed to have gained the upper hand in control over government banks and government trading companies.⁴¹

A memorandum prepared by the Division of Chinese Affairs of the US Department of State for the secretary of state on May 11, 1944, notes that "although many stories indicating that T. V. Soong's difficulties in Chungking [Chongqing] have been occasioned by the Generalissimo's displeasure with some aspects of his work as Foreign Minister, it is believed that rivalry in the economic field between Soong and Kung accounts for Soong's difficulties." The report noted that Kung had managed to grab leadership of the board of directors of the Bank of China from Soong and that "the current attack on Soong should be regarded primarily as a move by Kung, supported by Chiang, to divest Soong of his economic influence."⁴²

Of course, not all American officials were so enamored of T. V. Soong. His aggressive tactics in Washington had annoyed many in the War Department. Soong rarely like to go through "proper channels" and preferred to use personal connections. When Lauchlin Currie made his second trip to China in the summer of 1942, he alerted Chiang Kai-shek to Soong's behavior. Soong, he noted, "has resorted to bargaining and pressure which has caused estrangement of relations with the War Department. . . . For nine months Dr. Soong did not co-operate with the War Department but went in round-about ways." On the issue of defining the exact position of Stilwell, Soong had not been pleased with the attitude of the bureaucrats, so "he went to the President direct. The President made verbal promises. Subsequently I wired to the President and in his

reply to me he adhered to his first reply to the Generalissimo which was worded by the War Department. This is Dr. Soong's peculiar way of approach." Currie told Chiang that Roosevelt was annoyed by Soong's behavior in this instance. "I hated to say anything on this personal matter in as much as Dr. Soong represents you. His present attitude is disadvantageous to China as well as injurious to the relationship between our countries." Currie contrasted the Chinese approach to that of the British, who worked through channels to receive Lend Lease aid and did not go directly to the President.⁴³ When Chiang has his big fight with Soong a few months later, he was thus aware that Soong had made enemies in Washington.

Currie gave one other example. Chiang had not been happy with the tonnage of war supplies being shipped to China. In Currie's view, the proper response would have been to approach the War Department. But Soong was a member of the Pacific War Council that met frequently, with Roosevelt attending. He brought up the matter there, forcing the President to refer it back to the War Department, which further soured relations. Finally, Currie mentioned that regarding Stilwell, Soong had only wired Chiang a summary of his exchange with the War Department, not the full text. "I would have given great assistance to T. V.," Currie noted, "but he did not wish it."⁴⁴

Yet despite Soong's problems in Washington, by December 1944, Chiang decided he needed Soong and his connections to the American leadership. Perhaps Chiang concluded that "the squeaky wheel gets oiled." Britain could go through channels to get aid because it was America's top priority. China had to fight to receive aid, and perhaps Soong's style was to be successful in the long run. Soong was appointed acting president of the Executive Yuan. As Soong noted in a telegram from Chongqing to an assistant on February 6, 1945, "my position in government has been thoroughly consolidated and I possess more authority than ever before."⁴⁵

Yet troubles persisted between Soong and Kung. In April 1944, John Service, then second secretary at the US embassy in Chongqing, detailed a report from a Chinese source about a heated and very personal exchange between Kung and Soong at the April 4, 1944, meeting of the Executive Yuan, which revealed Soong to have been frank to the point of rudeness in attacking Kung.⁴⁶ Foreigners were not the only ones to witness the bad feeling between the two men. Wu Guozhen served for a time as vice minister of foreign affairs. At that point, Chiang Kai-shek

was head of the Executive Yuan but seldom attended, so H. H. Kung, the vice-head, presided. Soong then rarely came to the meetings but sent Wu instead. As foreign minister, Soong sent foreign policy updates to Chiang but did not include Kung.⁴⁷

Wellington Koo attended a dinner party at the Kungs' home in Chongqing in mid-January 1943, which was being given for T. V. Soong, who was returning to the United States. When Koo raised the issue of a loan from Great Britain that he was currently negotiating, the two men immediately began bickering over the terms of the loan, the amount, and its potential use. Soong seem to belittle Kung's lack of understanding of the use of a loan in pounds sterling. Koo realized that the two men were sharply at odds and "it also [pointed up one of the reasons why] I had been experiencing difficulties in handling the negotiations."⁴⁸ The dispute between the two men impacted the work of other government officials.

Most famously, after American vice-president Henry Wallace visited China, he prepared a report for President Roosevelt and commented directly on this issue. "It was significant that T. V. Soong took no part in the discussions except as interpreter," observed the vice-president. Away from Chongqing, Wallace found him very outspoken. Soong "said that Chiang was bewildered and that there were already signs of disintegration of his authority." Wallace concluded that "Soong is greatly embittered by the treatment received from Chiang during the past half year."⁴⁹ In October 1944, John Carter Vincent of the Division of Chinese Affairs in the State Department reported that relations between Chiang Kai-shek and the then-American ambassador C. E. Gauss were not good. One key factor is that Gauss was close to T. V. Soong. The latter "is still in the 'dog house' and therefore the closeness of Gauss and 'T. V.' is not conducive to good working relations between Chiang and Gauss."⁵⁰

Kung was more easygoing than Soong. During his time as head of the Executive Yuan, his meetings were leisurely, and he had a reputation for being somewhat chatty. Soong, by contrast, preferred short meetings and could be brusque.⁵¹ But Chiang became angered with Kung because of widespread reports of corruption. He seems to have lost faith in Kung in 1944 – hence his removal from politics.⁵² For whatever reason, Kung became widely unpopular among many factions in the Guomindang,

leaving him with limited political support. Perhaps the imperious nature of the entire Soong clan alienated some, and perhaps attacking Chiang's in-laws was safer than attacking him. And there was no doubt that during his tenure as minister of finance, the collapse of the fabi had been disastrous.

The Kung children would sometimes cause embarrassment. When Rosamonde Kung planned a trip to America in the spring of 1943, she wanted to fly with her doctor and maid over the Hump to India. But such travel required priority clearance from Washington, so Kung had to cable T. V. Soong, then in Washington, to ask if he could get priority for the doctor to fly from American government officials.⁵³ After the end of the war, Madame Chiang Kai-shek asked General Wedemeyer and General Stratemeyer for the young Kung and her companion to get flight priority to return to the United States. T. V. Soong also made a request to General Wedemeyer. But the general had run out of patience and sent a very blunt refusal to T. V. Soong on November 26, 1945. He had, he noted, already "informed Madame Chiang that at the present time there are several thousands of Americans awaiting return to the homeland by air or ship." He stated that "if I were to give the Kung sisters, who insofar as I can learn contributed in no way to the war effort, I would be personally subject to severe criticism and rightly so. Also I believe that the Generalissimo would be subject to criticism."⁵⁴ The American general's frank words suggest that both Chinese and foreigners had strong reservations about the Kung family as well as the Soong clan.

David Kung (Kong Lingkan/kai)⁵⁵ also attracted unwanted attention on occasion. He was in Hong Kong in the months leading up to Pearl Harbor. While there, he became involved in espionage work for China. Rumors surfaced that he was engineering a plot to assassinate Wang Jingwei, who had defected from the Chongqing government. At the time, the British were maintaining a neutrality policy and did not want to antagonize the Japanese, with whom they were not at war, and were very unhappy with the young Kung. H. H. wrote to his son (in English) on October 28, 1939:⁵⁶

I have been much concerned over what has happened in Hongkong. . . . Uncle Kai-shek and has been most concerned and Aunt May [Soong Meiling] has been very helpful in settling this matter for you; but they have

heard all sorts of rumours through many sources including charges made by the Honkong people which were repeated to the British Ambassador. . . . The British ambassador has been most friendly and frank and in every way he wished to be helpful . . . There might be other people who have grudges against you and therefore want to create trouble and make it hard for you. But don't be discouraged as long as you are doing good work for a good cause . . . with this goes my fondest love.

The British then expelled Kung and twenty other Chinese from Hong Kong, enraging the Kungs. After he enrolled at Harvard in 1942, the FBI did a background check but decided that he was okay. His activities in Hong Kong had taken place before Britain was at war with Japan, while it was attempting to be neutral in the Sino-Japanese conflict.⁵⁷ The younger Kung had informally served as a secretary in his father's office and while in Hong Kong had been involved in purchasing military equipment from Western countries. He was said to have made significant profits at least in the eyes of his enemies.⁵⁸

After the war, David Kung was the frequent target of attacks by enemies of his father, both the communists and rivals within the Guomindang. Today, he would be referred to as a "princeling." Even Arthur Young, who was sympathetic to H. H. Kung, tended to lend credence to some of the charges in his private diary. On May 11, 1946, for instance he wrote "Hear DK brought 4,000 bales of cotton on speculation."⁵⁹ David Kung established the Yangzi Development Company (Yangzi jianye gongsi) at war's end. It became involved in import-export trade, with branch offices in Shanghai, Hankou, Fuzhou, Nanjing, Hong Kong, and Tianjin, as well as a partner firm in New York. It primarily imported cotton, electric machinery, medicine, and luxury goods and exported hog bristles, tea, and agricultural products.⁶⁰

FAMILY ISSUES

The close family relationships also meant that personal disputes within the family (inevitable in virtually all families) often had a political side.⁶¹ The younger brothers, T. L. Soong (Song Ziliang) and T. A. Soong (Song Zi'an), spent much of the war era in the United States engaged in

government business. When Madame Chiang Kai-shek visited America, they were called on to assist, frequently traveling with her party.⁶² Madame Chiang had serious health issues and often sought family members to be with her when receiving hospital treatment. In January 1943, for instance, Madame Chiang cabled her sister Soong Ai-ling urging her to come to the United States with T. V. Soong (who was scheduled to return) and join her in New York.⁶³ When in China, she often approached those in America for medicines and personal items. Madame Chiang attributed some of her skin problems to the time spent in damp air-raid shelters during the intense bombing of Chongqing earlier in the war.⁶⁴ In the spring of 1946, Madame Chiang was being treated in New York by her physician Dr. Edgar Mayer, who concluded that the newly developed drug streptomycin would be effective. At that point the US Army controlled the supply, and it was not generally available for civilians. T. L. Soong in Washington cabled T. V. Soong asking him to approach George Marshall to make the supply available for Madame Chiang.⁶⁵ Private family matters and public duties intermingled for the Soong family.

And then of course there was Soong Ching-ling (Song Qingling, Madame Sun Yat-sen), who was politically at odds with the others and particularly with Chiang Kai-shek. Her occasional pronouncements made her displeasure relatively clear. This family dynamic was legendary and a key reason that so many popular books about the family have been published both in China and in the West. But despite her political differences, she kept in touch with some of the family, particularly T. V. Soong, writing to him from time to time. She had a narrow escape from Hong Kong after the Japanese attacked in December 1941, traveling by plane with her sister Soong Ai-ling (Madame Kung) and niece Rosamonde Kung. She wrote T. V. a lengthy account of their escape and reception in Chongqing shortly after they arrived.⁶⁶ Like her sisters and Soong's wife, she also often requested Soong to procure medicines and skin ointments as well as such items as an electric toaster. And Soong would often ask whether she needed anything from America when he was returning to China.⁶⁷

For all the rivalries among them, the Soongs were still family. Roosevelt's close aide, Lauchlin Currie, on his second trip to China in

September 1942, recalls listening to Madame Chiang's vitriolic denunciation of T. V. Soong. But then she suddenly said, "He is my brother and I love him."⁶⁸ And Meiling would often write to "my dear brother," writing in English and signing "May."⁶⁹

And even between T. V. and H. H., there were still the family connections. When Kung was in Washington in early 1945, he spent a month convalescing and dealing with a kidney stone. He also suffered from bouts of malaria. On February 3, 1945, he wrote T. V. in China, and although he discussed some governmental issues, he specifically thanked Soong for the kindness of Soong's wife and daughter (then in the United States), who visited often and brought home cooking.⁷⁰ And both men were constantly called on to assist with Madame Chiang's travel and personal needs. On March 1, 1943, for instance, Soong cabled Kung from America that Madame Chiang wanted \$50,000 transferred to her account in the National City Bank of New York. Soong requested that Kung authorize the transfer from the Central Bank of China to the Bank of China in New York.⁷¹ These financial transactions involved the children and spouses as well. Madame Kung asked T. V. to transfer \$3,000 from her account to America on September 25, 1943, when her daughter went overseas.⁷²

The White House monitored this transfer of money from China. Lauchlin Currie, Roosevelt's close aide, noted that on May 12, 1943, the Bank of China had instructed the Irving Trust Company to issue a cashier's check of \$100,000 to Madame Chiang, who turned it over to David Kung, who deposited it in his personal account. On May 17, another check for \$61,000 was handled in the same way, and a third check for \$59,000 was given to David Kung, who turned it over to his secretary. On June 10, 1943, Currie heard from Randolph Paul, who worked for Morgenthau, that the total amount transferred to Madame Chiang to that point was \$800,000.⁷³ American authorities monitored the financial holdings of many prominent Chinese in American financial institutions. In a memorandum of September 13, 1943, Currie noted that Lin Yutang, a noted author who had published several successful books in the United States, held \$46,800 in the United States as of 1940. But most of these reports were of politically connected individuals and companies. T. V. Soong's China Development Finance Corporation had increased its

assets from 1940 to 1941 from \$3.5 million to \$5.4 million. T. L. Soong had received \$403,000 from September 1941 until June of 1942. T. A. Soong's account in the Irving Trust had grown from \$19,000 to \$209,000 at the same time. T. L. Soong's account at the Chase Bank was \$911,000 in mid-1941.⁷⁴ The banker Li Ming had told Currie that T. V. Soong probably kept funds at the Bank of Canton headquarters in San Francisco and possibly some cash at the Bank of China.⁷⁵

In the fall of 1943, the Treasury Department monitored an increase of assets in the Irving Trust of approximately \$200,000 in the account of T. A. Soong and sought to determine the source of the funds. Money was also moved from the Irving Trust to the Bank of Canton, which drew attention. The Treasury thought some of these transfers were related to David Kung and Rosamonde Kung.⁷⁶

The Soong family kept a certain family dynamic despite disagreements. On Christmas Day 1944, T. V. Soong from Chongqing sent Merry Christmas greetings by cable to his wife and daughters in America, to his sister Madame Chiang Kai-shek, to H. H. Kung and Madame Kung, to T. L. Soong and his wife, and to the youngest brother T. A. Soong.⁷⁷ But pleasantries aside, the rivalry among the Soongs and particularly between T. V. and H. H. Kung spread across the banking and financial sectors of the Nationalist government and impacted both personnel and policy.

RIVAL NETWORKS AND FINANCIAL POLICY

The rivalry between T. V. Soong and Kung went beyond the family. Both tended to build networks in banking and finance, creating a complex web. Individuals were usually identified as either pro-Kung or pro-Soong even when circumstances required working with the other camp. Associates of either man would often report back that the other was trying to undermine him. In February of 1941, for instance, Kung associate Robert T. Huang wrote from San Francisco that "while in San Francisco and this part of America, I sense acutely that the opinion of the Chinese Community here and that of the Press are definitely against your Excellency. I cannot but feel that some people are out deliberately working on these people to poison their minds against your Excellency." And who were these people? "There are several groups working aggressively among the Chinese in this

country. Doubtless, Dr. T. V. Soong is most aggressive. The others include Kwangsi [Guangxi] group and Chen Cheng and Chu Chia Hua." He concluded "where are these friends of Your Excellency's?"⁷⁸

Implementation of financial policy sometimes got caught up in this web of connections. And often political and family connections intertwined. Bei Zuyi (Pei Tsuyee), one of the most prominent government bankers, held key positions in the Bank of China. In 1942, when Soong was in Washington, he found a position for Bei's son-in-law, Stanley Shen, with the China Defense Supplies Agency there. When Soong was posted to Washington, he relied on Bei to provide insider political summaries from China. In July 1942, he wrote to Soong about the decision to strip the Bank of China and other government banks of the right to issue banknotes and the consolidation of that power in the Central Bank of China. The decision was reached at a meeting of banking leaders presided over by Chiang Kai-shek. Bei quotes remarks by H. H. Kung that individuals should serve the interests of the government and not their individual institutions. Kung added that "one who is working in his institution may not necessarily work in the same institution after the promulgation of these regulations." In other words, the network at the Bank of China that Soong had built up over several years might be undone.⁷⁹

In June of 1943, Bei sent Soong a confidential memo about Kung's proposal to terminate the currency stabilization agreement of 1941. Chen Guangfu and others had proposed revising the agreement, but Kung and Chiang Kai-shek seemed to favor termination. Bei suggested that Soong avoid acting on this because of Chiang's views. Kung was dispatching Arthur Young to Washington to deal with the matter.⁸⁰ After Kung gained control over the Bank of China, Bei continued to serve in the New York office but still sent confidential notes to Soong about the political and economic situation.⁸¹

Soong went to extraordinary lengths to keep his communications with Bei secure. In the spring of 1943, L. K. Little was in Washington when he was summoned to Chongqing to become the inspector general of the Maritime Customs Service. That venerable institution had fallen on hard times, with much of it functioning under Japanese control in the occupied zone, but a truncated version was headquartered in Chongqing.

Little would be the last inspector general and the only American to hold the post. Little was rather surprised when he received a request from T. V. Soong, then China's Minister of Foreign Affairs but residing in the United States, to carry a personal letter to China for him. In his diary, Little noted on May 17, 1943, "New York: A letter from Mr. T. V. Soong addressed to Mr. Tsu-yee Pei [Bei Zuyi], Chungking. Query: Why, having a diplomatic pouch, does the Chinese Minister of Foreign Affairs send this document through me?"⁸² The answer was self-evident. Three years later in January 1946, Little, then in Shanghai, was surprised when an appointment of Carl Neprud, an American, to be Shanghai commissioner of Maritime Customs was blocked by T. V. Soong. In trying to figure out the cause of Soong's action, an associate suddenly remembered that Neprud had worked for H. H. Kung in Washington during the war. "It is pretty bad if the Soong-Kung feud is to extend itself to the foreign staff of Customs," Little concluded.⁸³

Another back channel sometimes used by Soong was his wife, who, along with his daughters, spent long periods in the United States. When Soong was back in China, he would often use her as a conduit. In March 1945, when Patrick Hurley, ambassador to China, was in Washington, Soong cabled that he had sent a reply to a message from Hurley through his wife and asked Hurley to discuss the matter with her. She would forward the reply. Soong stated, "would appreciate if you would communicate with me through her as much as possible."⁸⁴

Kung had not wanted to appoint another foreigner as inspector general, feeling it was time for the Chinese to take over. He had favored his son David Kung, but T. V. Soong had blocked this. Eventually Chiang himself decided on naming an American as inspector general "for the time being."⁸⁵ As a member of Soong's informal network, Bei remained loyal to Soong even when his actual boss was Kung. But being considered in Soong's "camp" could often result in attacks by those who wanted to get at Soong. In August 1947, for instance, Bei was indicted, which Arthur Young considered an attempt to get at T. V. himself.⁸⁶

Another Soong loyalist from the Central Bank but based in Washington kept him apprised of Kung's activities at the Bretton Woods Conference. "I was told during the whole conference the Chinese delegation made not one proposal or recommendation.

Several of our delegates, I do not wish to mention names, brought along their wives and daughters and daughters in law to the Conference.” The shared opinion was that Kung simply was not an effective representative for China at this critical meeting. The report also noted that “reports here is that K [Kung] has bought a house and does not look as if he will return to China in the foreseeable future. American officials and newspapermen have been asking the question: Why is it that every member of K’s family is now abroad?”⁸⁷

In fact, China was not well represented at Bretton Woods. H. H. Kung’s reputation had been tainted by the gold scandal, and it was widely assumed he would be out of power soon. He also faced medical issues that needed to be treated. And as the Chinese delegation arrived, the Japanese Ichigo campaign was sweeping through China, overrunning American air bases. It was not an auspicious time to be representing the Chiang government. Ironically, one of the most effective members of the delegation, Ji Chaoding, was a communist spy.

Ji had arrived in the United States in 1924, a graduate of Tsinghua University, and enrolled at the University of Chicago. Eventually, he received doctorate from Columbia University and published an influential book, *Key Economic Areas in Chinese History*. But during those years, Ji also joined the American communist movement and later established ties with the Chinese Communist Party. During the war years, he connected with H. H. Kung because of native place ties. Ji, who was fluent in English, assisted Kung in negotiations with the Americans over the exchange rate to settle US military debts in China. Finally, for Bretton Woods, Ji accompanied H. H. Kung to the United States as his secretary. The C. C. Clique warned Kung that Ji was a communist, but when asked, Ji replied to Kung, “Uncle, I have followed you for so many years, you know all about me. . . . Do I look like a communist to you?” Kung was convinced the accusations were false.⁸⁸ Ironically therefore, the communists likely had better information on the actions of the Chinese delegation at Bretton Woods than T. V. Soong, then acting head of the Executive Yuan.

When Kung left the government, Ji was able to keep a research position at the Central Bank of China because he had good ties with Yu Hongjun, the new minister of finance. But despite his lengthy international experience and contacts, Ji was not invited to be part of the

delegation to the United Nations Conference in San Francisco. This was not done because he was suspected of being a communist, but because the delegation was headed by T. V. Soong, and Ji was clearly a Kung man.⁸⁹ Ji stayed on in China after 1949 and was welcomed in the new government.

The ramifications of the Soong–Kung rivalry were serious. Kung was quite pliant to Chiang’s demands and willing to advance sums to him without accounting for their use. Kung was doubtless aware that there was little backing for this currency, which would lead to inflation, but nonetheless he obeyed Chiang’s bidding. Soong had grave doubts about running up large deficits and printing money. He despaired of attempts to keep the exchange rate of the yuan at unrealistic levels. But after his confrontation with Chiang had left him temporarily out of power, he became more accommodating of Chiang’s demands. Such was his ambition that he was not willing to confront Chiang over the massive deficits covered by printing currency and risk Kung grabbing Soong’s position. Thus neither Kung nor Soong stood up to Chiang and would continue to deliver increasingly worthless sums of money to pay for the military. Hyperinflation would consequently accelerate.

POLEMICAL ATTACKS ON SOONG AND KUNG

Soong and Kung bore a heavy political cost for their very public identification with the financial policy of the Guomindang and their high-profile financial activity. Soong was often attacked by others within the Guomindang itself, including Chen Lifu and Sun Ke. The party was highly factionalized, and groups jockeyed for power.⁹⁰ But despite attacks from within the Guomindang, the really severe criticism of Kung and Soong came from outside. The Chinese Communist Party and the political left in general targeted both Kung and Soong for intense personal criticism, labeling them corrupt “bureaucratic capitalists.” The most famous of the writings was Chen Boda’s polemic on China’s four great families (Chiang, Soong, Kung, and Chen), who were accused of a wide assortment of social and economic crimes.⁹¹ This line continued throughout the Maoist era with works such as Chen’s “The People’s Public Enemy, Chiang Kai-shek.”⁹² Even more than Chiang, Soong, and

Kung were attacked for their supposed personal wealth. This campaign was not confined to China but promulgated globally. Leftist groups in the West published polemics such as “How Chinese Officials Amass Millions,” which detailed corrupt practice linked to Guomindang authorities.⁹³ These views became widespread in the West, reflected in the writings of many journalists and in public opinion.

American Arthur Young, financial adviser to the Chiang government and an admirer of T. V. Soong, still admitted that “when he left office in 1947, observers stated that his withdrawal was widely welcomed. He was blamed, though not justly, for most of the mess that had come about.”⁹⁴ President Harry Truman recalled in his memoirs his reluctance in May 1945 to release \$200 million in gold to China, even though Congress has authorized the expenditure in January 1942. Truman had Secretary of Treasury Morgenthau convey to China Truman’s feeling that the way in which the sale was conducted “and subsequent public criticism of them in China are not conducive to achieve the purposes for which American financial aid was given.”⁹⁵ He felt that corruption was undercutting the effectiveness of American aid. This attitude came to define the Truman administration’s relations with Chiang at least until the outbreak of the Korean War.⁹⁶ This portrait of Soong and Kung as corrupt “bureaucratic capitalists” persisted long after they faded from power.

In China, however, there has been a gradual change in this historical image in recent years. An avalanche of historical writing about key leaders of the Republican period has appeared in China, much of it aimed at a general (rather than just academic) audience. Within this new writing, more nuanced portrayals of many leaders of the Guomindang period began to appear, particularly of Chiang Kai-shek. In contrast to the total villain depicted in Chen Boda’s “Public Enemy Chiang Kai-shek,” some aspects of his rule are painted in a more positive light, particularly his wartime military leadership, his visit to India, and his role as one of the “Big Four” Allied leaders. The change has not been as dramatic in writing on Kung and Soong. A 1995 biography of Kung published in Wuhan still went by the title *Da caifa Kong Xiangxi zhuan* (The big tycoon H. H. Kung).⁹⁷ And popular histories of the whole clan such as Chen Feng’s *Sida jiazou miwen* (Secrets of the four great families)

published in 2008 still follow the framework of the late 1940s. Yet these new studies in content offer a more subtle portrait of the men, as compared with Chen Boda, mixed in with gossip and pictures.⁹⁸

The most significant change in the portrayal of Guomindang figures in China has been in academic publishing that utilizes newly available archival material. Most famously, the unveiling of the Chiang Kai-shek diaries at the Hoover Institution at Stanford University has produced an enormous body of Chinese writing. For T. V. Soong, it has been the joint publication of many documents from his archives at the Hoover Institution in bilingual editions by Fudan University in conjunction with the Hoover Institution that has been key. In addition to the reprint and translation of the archival material, the two institutions have sponsored academic conferences and published proceedings that have added a great deal to our understanding of Soong and his role in modern Chinese history. Although much of this has focused on Soong, volumes such as *Zhongguo renwu de zai yanjiu yu zai pingjie* (The restudy and revaluation on the Republic of China leadership), edited by Professor Wu Jingping, contain new scholarship on many key figures. Unfortunately, there have yet been far fewer new archival sources available on Kung, but perhaps this will change in the future.⁹⁹

Ironically, these new archival materials have produced little fresh scholarship in the West. For various reasons, few new academic publications on either Soong or Kung have appeared, and relatively little yet on Chiang himself despite the availability of the diaries. Popular writing on the Chiang and Soong families continues to appear but is still under the shadow of the historiography of the 1940s. Unfortunately, the most widely read popular history written in English in the last few decades concerning the Soong family was Sterling Seagrave's *The Soong Dynasty*, published in 1985 by Harper and Row, a major commercial publisher. Subsequently a paperback edition and "Books of Tape" edition appeared. Widely read and circulated, this book is still readily available today. Seagrave gives an extraordinarily negative view of the Soong clan, depicting them as virtually a criminal gang, stealing billions from the Chinese people.¹⁰⁰

Two more recent popular accounts have focused on Madame Chiang Kai-shek. Laura Tyson Li's *Madame Chiang Kai-shek: China's*

Eternal First Lady was published in 2006. Although Li is a journalist and the book appeared through a commercial not academic publisher, the author used a wide range of archival sources, including material from the Butler Library at Columbia University, collections at Cornell, Harvard, the Hoover Archives at Stanford, the Truman Library, and the Wellesley College Archives. Interviews and archival sources included numerous friends and contacts of Madame Chiang in America and China. Containing relatively little on T. V. Soong and H. H. Kung himself (much more on his family), the book offered a nuanced and largely sympathetic portrait of Madame Chiang.¹⁰¹ Just three years later, Hannah Pakula published the massive (almost 800 pages) biography *The Last Empress: Madame Chiang Kai-shek and the Birth of Modern China*. Like Li, Pakula used a commercial press and cited many personal letters from Madame Chiang's American friends, which allow for an inside look at Soong Mei-ling. Nonetheless, much more than Li, Pakula was willing to include a great deal of "gossip history" in the text.¹⁰²

The most recent addition to this literature is Jung Chang's *Big Sister, Little Sister, Red Sister: Three Women at the Heart of Twentieth-Century China*, published in 2019 by Alfred A. Knopf, a collective biography of the three Soong sisters. A well-known popular writer on modern China, she is known for her strong opinions, seeing the Empress Dowager Cixi as the key force for modernizing reforms in the late Qing and willing to believe any negative account of Sun Yat-sen. Jung Chang rarely engages with or acknowledges academic writing that does not support her ideas. Determined to portray Sun Yat-sen in a bad light, she tends to praise the warlords, dismissing their conflicts as minor. "The fighting was sporadic and small-scale, and most outbursts lasted no more than a few days." But missing in her bibliography are works such as Edward McCord's *The Power of the Gun: The Emergence of Modern Chinese Warlordism*, which might offer a different view.¹⁰³ Her book is really a biography of the Soong family from Charlie Soong until the death of Soong Mei-ling in 2003. For Jung Chang, the leader of the sisters was the eldest, Soong Ai-ling, married to H. H. Kung. In her telling, not only did Soong Mei-ling look up to her but after 1927 Ai-ling "would exercise a bigger influence than anyone else on the Generalissimo."¹⁰⁴

The three books mentioned above are a testament to the enduring interest in the saga of the Soong sisters, a story that combines family struggle with national history. Yet the men of the Soong clan, including H. H. Kung, attract little attention, and almost none regarding their economic policies.

NEW PERSPECTIVES ON SOONG AND KUNG

The opening of new archival sources and the voluminous publications in China have yet to make a significant impact on Western scholarly writing on T. V. Soong and H. H. Kung. Yet such an effort is clearly needed, and not simply because of the new sources. The entire historical era looks very different today when viewed from the perspective of the twenty-first century rather than the 1940s; it is time to break out of the earlier framework. When the CCP attacked “bureaucratic capitalism” in the 1940s, communist writers assumed capitalism and market activity themselves were evil. Private business activity, whether conducted by those connected to the government or by international firms, was universally condemned by communist writers. Today, with the Chinese economy booming, private and semiprivate business activity plays a key role, as does the investment of global capital, and capitalist-style business activity is far more acceptable in China. In 2001, then-Chinese leader Jiang Zemin even invited entrepreneurs to join the Chinese Communist Party. “Entrepreneurs and technical personnel employed by scientific and technical enterprises of the non-public sector, managerial and technical staff employed by foreign-funded enterprises, the self-employed, private entrepreneurs . . . have contributed to the development of productive forces . . . in a socialist society.” These private entrepreneurs should be eligible for membership in the party itself, Jiang concluded.¹⁰⁵

From this new perspective, the careers of Soong and Kung might be interpreted quite differently. In looking back at T. V. Soong’s China Development Finance Corporation (CDFC), for instance, a first reaction might not be that it was evil simply because it was capitalistic, but rather how little it accomplished. Founded in 1935 at a time when the effects of the global depression meant that little foreign capital was

available, the few projects underway in the summer of 1937 were largely destroyed by the Japanese. Some that were completed ended up benefiting the Japanese. The CDFC put together financing with French help to build a railway from Vietnam to Nanning in Guangxi province, only to have it captured by the Japanese shortly after completion.¹⁰⁶

The CDFC had built a major high-rise building in Shanghai, but this was used by the Japanese after Pearl Harbor. Late in the war, the Japanese removed radiators and piping from the building. After Japanese surrender, the US Army commandeered the building for its use. Eventually, the US Consulate in Shanghai leased much of the space in the building, and the CDFC continued with a small staff.¹⁰⁷ The failure of CDFC projects contrasts sharply with today's China and its high-speed railways, gleaming skyscrapers, and modern airports. A study of the CDFC done today actually reminds us of the high cost of the Japanese invasion. Even the issue of corruption itself looks different today. The major anticorruption campaign launched by current leader Xi Jinping suggests that this is an endemic problem not confined to any one historical era.

The time is thus right for Western scholars to reevaluate the careers of T. V. Soong and H. H. Kung. Should they have been blamed for wartime inflation? In retrospect, the problem appears unavoidable and beyond the power of either man to control. Early in the conflict, the Chiang government lost control of its main tax sources on the east coast while military expenses remained high. Even at the time, many observers recognized that in fact neither Soong nor Kung could really control this process. Theodore White, who covered China during the war years for *Time* magazine, noted that Kung had to bow to Chiang Kai-shek's wishes when he demanded funds for his military. Kung complied and had the money printed. "To run China on any sound economic basis required basic political decisions that only Chiang Kai-shek could make," White concluded, and Chiang was not inclined to make them.¹⁰⁸ But if Kung and Soong could not really solve the fundamental economic problems of China, there is still much room for debate about specific policies that they supported at different points during the war.

RESIGNATION OF H. H. KUNG

Chongqing's financial and economic failures claimed one victim before the war's end with H. H. Kung's resignation from government positions. Kung seemed to have been the scapegoat for the financial disaster that befell wartime China, and his reputation declined long before his resignation. When Lauchlin Currie made his first trip to China before Pearl Harbor, he was funded by the Chinese government and took a leave of absence from his job at the White House. This was done in large measure to comply with American neutrality policy. Because of this relationship, Currie's exit interview with Chiang on February 25, 1941, with Hollington Tong translating, included some rather blunt advice about Chinese officials. But this was delivered not as a representative of Washington, but as a paid adviser to the Chinese government.¹⁰⁹ And Currie was blunt.

He was particularly critical of Kung. "I feel that Dr. Kung has been too long on the job . . . and is referred to again and again as representing the Old China. Moreover, he is not trusted and ugly stories concerning him have gained wide credence." Currie even suggested that "he has not, as far as I have been able to discover, any able men in his Ministry." He recognized that "Dr. Kung is loyal to the Generalissimo and accommodating. However, new eras demand new men."¹¹⁰ In a confidential report made to Roosevelt following his return to the White House, Currie elaborated on what he considered the incompetence in Kung's Ministry of Finance. "Large-lump sum payments are made to the military and the Minister of Finance had no idea how they are spent. . . . I did not meet one person whom I considered competent in the whole Ministry of Finance."¹¹¹

Currie was also rather perceptive about T. V. Soong. He thought him "able and aggressive. I also believed him to be self-willed and probably unable to successfully subordinate himself. I do not think, therefore, that he could get along for any length of time with the Generalissimo." Thus in February 1941, Currie instinctively realized that Chiang would have a personality clash with Soong.¹¹² In his report to Chiang, Currie pushed as an alternative the banker Chen Guangfu, who had already led missions to Washington and was seemingly well

liked by people in the Treasury Department. "He has a reputation for honestly and incorruptibility. He is outside of politics and is well known to have no personal ambitions." Currie was even sensitive to the politics of the situation. Chen, he noted, "is an old friend of Kung's so the transition could be made without too much loss of face on Kung's part." Currie concluded that "his appointment would be a symbol of a new era . . . and would convince opinion both at home and abroad that the National Government really intended to put its financial house in order." Currie felt that Chiang was appreciative of his report, but of course he stuck with Kung for another three years. Still, Chiang was aware of certain misgivings in America about Kung even at that point.¹¹³

AMERICAN DOLLAR BOND ISSUE SCANDAL

Eventually the persistent reports over corruption led Chiang to remove Kung. It was a scandal related to the American Dollar Bond issue that broke the camel's back. This had its origin in the period after Pearl Harbor, when both the United States and Great Britain wanted to provide visible support for China even as their actual ability to get supplies to China fell with British Burma. Both advanced loans to Chongqing; America provided a credit of US\$500 million and Britain 50 million pounds. There was considerable discussion about how best to use this money, but Chinese authorities decided to issue US\$200 million in American dollar bonds and gold sales. Purchasers in China would buy the bonds with fabi at the official exchange rate and would be paid in dollars when the bonds were redeemed following victory over Japan. The idea was that the bonds would absorb excess fabi and curb inflation. Gold purchases would do likewise. The American Dollar Bonds were issued on March 24, 1942.¹¹⁴

American advisers initially thought the scheme would work, but they made incorrect assumptions about how the plan would be implemented. First, they assumed that wealthy Chinese would be under some pressure to buy the bonds, so hoarders would be forced to sell much of their merchandise for fabi to buy the bonds. With commodities being released on the market, the rise of prices could be stemmed. They also assumed the bonds would be sold in a short period of time. Neither of these

scenarios was realized. No pressure seemed to have been applied, so after eight months only 10 percent of the bonds had been sold. Although in theory they were a good deal, the public seemed very dubious about whether the bonds would be paid at maturity. Most took their chances by hanging on to commodities, trusting the return would be greater than on the bond issue. Sales remained slow even as the black-market rate for fabi rose far beyond the official rate of 20 yuan to 1 dollar, making the actual cost for Chinese purchasers much more reasonable. At the end of December 1943, the black-market rate almost reached 84; by the end of June 1944 nearly 192. Following the Ichigo debacle, the black market soared reaching 600 yuan to 1 dollar in December 1944, yet the official rate remained at 20 to 1.¹¹⁵

In early October 1943, Kung sent a secret memo to Chiang Kai-shek requesting that sales of the bonds be terminated. Subscription was closed on October 15, 1943. An official of the Central Bank, Guo Jinkun, announced that all the bonds had been sold. The actual figure was about half; Kung ordered all of the banks to stop sales and return unsold bonds to Chongqing. Secretly, it appeared that insiders had then purchased the remaining bonds at the official rate of 20 to 1 but of course using currency acquired at the black-market rate. Word of the windfall spread among the inner circles, especially in the Legislative Yuan. Charges appeared that Kung had made profits of over US\$3 million in the process.¹¹⁶ Others said to benefit were all of the Soongs, underground leader Du Yuesheng, banker Chen Guangfu, military leaders Wei Daoming and Long Yun, and many more.¹¹⁷ Morgenthau told Roosevelt of the charges and stated that the \$200 million in aid for the program had made little difference in stopping inflation.¹¹⁸

This widespread criticism of Kung apparently led Chiang to lose confidence in him. By May of 1944, the British minister in Chongqing reported to London that there was a great deal of ferment in Chinese politics. "We think position of Chiang Kai-shek is still sound but public dislike of H. H. Kung and his associates gives him a good weight to carry. On the whole, we think a slow deterioration must be noted on the political side."¹¹⁹ One source of the criticism appeared to be T. V. Soong himself. He sent a telegram to Guomindang elder Li Shizeng in June 1944 attacking the financial policies of Kung.¹²⁰

Chiang came to perceive Kung as a liability rather than an asset to the Chongqing government. Attacks on Kung came not only from groups like the communists but also those within the Guomindang. American diplomatic personnel in China became seriously concerned by reports that several Guomindang military commanders were plotting to kidnap Chiang (possibly in Kunming on his return from the Cairo Conference) and force him to rid the government of individuals they deemed corrupt, notably H. H. Kung and He Yingqin. The US ambassador informed the secretary of state on February 3, 1944, that one of the demands was that Kung be removed and shot.¹²¹

Meanwhile, an American source, the leftist journal *Amerasia*, noted that the *Dagong bao* had published an article sharply critical of Kung in early 1945, claiming that he had spent the previous ten years as minister of finance “building up his personal fortune at the expense of government duties, and for having a large bank balance” in the United States. Since the newspaper was subject to Guomindang censorship, this article could not have appeared unless prominent factions in the government had permitted the attack on Kung. “Their publication suggests that the political prestige of Dr. Kung . . . has reached a new low.” The journal believed that officials associated with the Political Study Clique were behind the attacks.¹²²

In September 1944 when the People’s Political Council met, H. H. Kung was still in the United States, in part for medical treatment. The vice-minister of finance, his close associate Yu Hongjun, was subjected to vigorous rounds of questions and criticism. Questions involved the Kung family’s business operations, the management of the Central Bank, the buying and selling of gold, and in particular the issue of the American Dollar Bonds. As the British representative in Chongqing commented, “the Council was really after Dr. Kung’s blood.”¹²³ British reports concluded that Kung “is not over-scrupulous in his methods and has retained the favor of Chiang Kai-shek (in spite of the general distrust and hostility of the people) owing to his ability to produce funds when required for military purposes.”¹²⁴

Chiang was sufficiently concerned with the Dollar Bond question to commission a confidential investigation. As Zheng Huixin notes in his study of the issue, Chiang concluded that a substantial portion of the

bond issue had in fact been purchased (presumably by insiders) after the official close of sales on October 15, 1943. Ultimately, Chiang realized that Kung was responsible and sent several telegrams to him in America. Kung did not want to admit this, and Chiang was loathe to make the issue too public for fear of giving potential enemies within the Guomindang, not to mention the Chinese Communists, an issue with which to attack him.¹²⁵ Yu formally replaced Kung as minister of finance in late November 1944, but this did little to stem the criticism. Kung remained vice-president of the Executive Yuan and head of the Central Bank of China. Even after he lost these two positions in the spring of 1945, Chiang appointed him head of the board of directors of the Bank of China to "save face."¹²⁶

With the Japanese success in the Ichigo campaign, the Chiang government and its military were humiliated and subject to criticism overseas as well as at home. Chiang reacted by giving the appearance that ministers in his government who faced heavy criticism from Allied leaders would be removed. General He Yingqin, for instance, was removed as minister of war but given a new and significant command. Chen Lifu, widely viewed as reactionary, was removed as minister of education, although he was given a substantial position within the party. The final blow was to H. H. Kung. In December 1944, Chiang brought T. V. Soong back to power as acting president of the Executive Yuan. Kung, the vice-president, had apparently wanted the position but was leaving for the United States. Losing favor at home, Kung remained in America until July 1945, first for the Bretton Woods Conference and negotiations in Washington, and then for medical treatment, according to the official statement of the government.¹²⁷

When Kung did return on July 8, 1945, there were rumors that he would be given a post with the four government banks, but that did not happen. He resigned all remaining positions, with Soong taking over control of the government banks and Yu Hongjun, then minister of finance, the Central Bank. The British authorities in China, in their official summary of events of July 1945 for the Foreign Office in London, noted that "Dr. Kung is obviously unpopular among the general public and has been held to blame in some quarters for the present financial crisis." The report included a quote from the *Dagong bao* of

July 12 that clearly attacked Kung, as it had earlier. “Who allowed our finances to get into this mess? Who allowed inflation to reach this stage? Who allowed prices to soar to the present level? Who openly maintained that there was no objection to public servants engaging in business?” The paper concluded that “we cannot allow this sort of man to deal with China’s financial policy.”¹²⁸ So why did Kung return? The British speculated that Chiang might have summoned him as a counter to T. V. Soong and to “warn Dr. Soong of the vulnerability of over-playing his hand here.” Chiang apparently appreciated Soong’s abilities in dealing with the West but remained somewhat suspicious and jealous of his status, as Lauchlin Currie had predicted.¹²⁹

When Kung did return, he met with Chiang on July 14, 1945. Unsatisfied with Kung’s responses on the bond question, Chiang requested a detailed list of who had actually bought and sold the bonds. In addition to the full accounting, he wanted to know if purchases had been made through the black market. Almost simultaneously, T. V. Soong returned to China from his talks with Stalin and met with Chiang on July 18 and 19.¹³⁰

Following Kung’s return, Fu Sinian and others in the People’s Consultative Congress demanded an investigation into the American Dollar Bond scandal. Chiang discussed the matter with Chen Bulei, who simply asked Chiang how much he wished the public to know about Kung’s behavior – it would reflect on the family. Chiang received the investigative report on the matter from the Central Bank on July 16 and discussed this with Kung. The following day, Chiang learned that Fu Sinian and twenty-one others in the congress had started procedures for the impeachment of Kung, greatly distressing Chiang. Fu, a distinguished scholar at Academia Sinica, had long been a critic of Kung and had sent a number of private memos to Chiang about Kung’s corruption. Lower-ranking officials in the treasury began to secretly supply Fu with proof of Kung’s malfeasance. Kung defended himself by claiming again that it was difficult to learn the names of all those who had purchased the bonds. On July 21, Kung sent a new report on the issue to Chiang justifying his behavior in handling the bonds, but his answers seemed evasive. This angered Chiang, who assigned several people to make discreet inquiries into the bond issue. Yet ultimately Chiang followed Chen’s advice and was not able to face the problem in a public way.¹³¹

A separate scandal enveloping the Ministry of Finance in the spring of 1945 involved questions surrounding the sale of gold supplied by the United States. The charge was that certain officials took advantage of advance knowledge of the government's decision to raise the official price of gold from 20,000 yuan per ounce to 35,000 by buying immediately before the new policy. This was still well below the then-black-market rate of roughly 50,000. Soong returned from the United States, where he had been at the United Nations conference in San Francisco, and he pledged to purge the ministry of these officials. He then obtained the resignation of several individuals. Yet the subtext for this was that Soong was attempting to purge officials who were close to H. H. Kung as he attempted to consolidate his control.¹³²

It is perhaps understandable why a man who had been minister of finance for ten years would bear the brunt of criticism for China's difficult financial situation. But what of the charges of corruption and mismanagement? Arthur Young worked with Kung for many years and personally liked him. In his memoirs, he glossed over the issue of corruption and its relationship to Kung's resignation but concluded that it was Kung's "misfortune to face wartime problems for which there was no really good solution. Not understanding some issues, he adopted and persisted with policies bound to fail. This . . . brought about his retirement after more than ten years in charge of the finances."¹³³

Chinese scholars have weighed in on the issue in recent writings. Based on his reading of the Chiang Kai-shek diaries, Wang Chaoguang concluded that Chiang was often unhappy with Kung, feeling that he was too active in looking after private interests without regard for public opinion. Chiang became concerned about the management of the American loan, which reportedly had been mishandled.¹³⁴ Wu Jingping also raised several key points. Ultimately, Chiang felt that Soong was more effective in dealing with Washington than Kung. Beginning in March 1944, he began giving more and more diplomatic tasks to Soong, and Kung's position eroded. Chiang thus removed him from the Central Bank of China in July 1945.¹³⁵

Zheng Huixin and Yang Tianshi both noted that Chiang's discovery that Kung was culpable in the American Dollar Bond issue scandal deeply troubled Chiang, even disrupting his sleep. His diary contains several

references to his distress over the issue. Following Kung's final report to Chiang, he was dismissed from his remaining posts at the Central Bank on July 24, 1945. But Chiang was unwilling to go too public in discussing this issue, because he wanted to prevent family disharmony from being used by his enemies. Ultimately, he protected Kung and instead dismissed lower officials at the Central Bank and Ministry of Finance. Lu Xian and Guo Jinkun were made scapegoats. Chiang blocked newspapers from printing the charges made by Fu Sinian, determined to limit the damage from this incident. After the Japanese surrender in August, Chiang decided to wrap up his own investigation into the matter. He wanted nothing to undermine the Guomindang government as he confronted the Chinese Communists.¹³⁶