

Chapter 22

Kiao-chau

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KIAO-CHAU WAS A German protectorate from 1898 to 1915, located on the Yellow Sea coast of China. It occupied some 200 square miles on the Shantung Peninsula around and including the city of Tsingtao, leased to Germany for one hundred years by the imperial Chinese government. When Germany acquired the region, Tsingtao was an obscure fishing village, and the total population in the area was only 83,000. When Germany withdrew in the second year of World War I, Tsingtao had become the fourth most

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**Tseng Hsiao, a founder of the department of land administration at Chengchi University, Taipei, also founded the Chinese Research Institute of Land Economics and the China Land Reform Association. His numerous publications include *The Fundamentals of Equalization of Land Rights*, *Theoretical Framework for the Equalization of Land Rights*, and *The Theory and Practice of Land Reform*, all in Chinese. He studied at Beijing University and (under the noted Bodenreformer, Adolf Damaschke) at the University of Berlin. His students marked his 70th birthday by publishing a collection of his writings consisting of 70 papers. Also in recognition of the occasion, Kon-Kul University in Korea awarded him an honorary Ph.D. in economics.

This chapter combines material from Miss Peterson's chapter on Germany in the original (1955) edition of *Land-Value Taxation Around the World*, with material by Tseng Hsiao not available to her when she wrote that chapter. Tseng Hsiao's contribution is from "Land Tenure in Tsingtao and Henry George's Ideals," in Richard W. Lindholm and Sein Lin, eds., *Henry George and Sun Yat-sen: Application and Evolution of Their Land Use Doctrine* (Lincoln Institute Monograph #77-12; Cambridge, MA: Lincoln Institute of Land Policy, 1977), pp. 122-127. In this edition, the chapter has been amplified with information from Michael Silagi, *Henry George and Europe* (Will and Dorothy Burnham Lissner, eds., trans. from the German by Susan N. Faulkner; New York: Robert Schalkenbach Foundation, 2000), chapter 8.

important trading port on the China coast, and the area's population had increased to 275,000.

The pleasant climate and scenic setting of Tsingtao made it a natural site for a resort, and with its location at the mouth of Chiao-chou-wan, one of the best naval harbors in northern China. The Germans developed the harbor, constructed a railroad to Tsinan, and built many resort facilities.

I

Land-Value Taxation in Kiao-chau

KIAO-CHAU WAS HELD under the jurisdiction of the German Navy Department, not the Colonial Office, due to the efforts of the navy secretary, Alfred von Tirpitz (later to become grand admiral), who held the policies of the latter in low esteem. Tirpitz was sympathetic to progressive socio-political thought, and with his encouragement "the Navy Department became a sort of stronghold of land reform ideas."¹ Adolf W. F. Damasche, whose persuasive and organizational talents later built the *Bund deutscher Bodenreformer* (German Land Reform League) into a powerful body with something like 100,000 members, was able to win over a number of high naval officers to the cause, who became members of the Bund. One of these was Admiral Otto von Diederichs, whose forces had conquered and occupied Kiao-chau, and who served as its military governor. Diederichs and Tirpitz were determined that land speculation, which severely afflicted the German colonies in East Africa, not be permitted to take hold in the new protectorate.

Speculation had begun as soon as it became known that extensive improvements would be undertaken by the German authorities. To curb it and at the same time help finance the development, the Reichstag (doubtless on the Admiralty's recommendation) enacted a law in 1898 which provided for the compulsory sale to the government at pre-occupation prices of all land the government deemed necessary for possible public works. The land was then replotted, and parcels not needed were resold at a profit. Land in

rural areas was not compulsorily purchased, and remained in private hands.

All private land was taxed according to its assessed value at an initial rate of six percent, and subjected to an increment tax of one third of the net profit when sold. After 25 years had elapsed, reassessment was to take place and the increment tax levied on any increase in value regardless of sale. (This provision, of course, was never implemented, as the colony came under Japanese occupation after only 17 years, and its distinctive land tax system was abolished.) In transfer of ownership, the government had the prior right of purchase at the price reported, thus discouraging anyone from reporting a lower sales price in order to reduce his increment tax. The land-value increment tax in Kiao-chau was the first to be adopted anywhere in the world,³ although there had been tentative anticipations of it earlier in Germany.⁴

In 1903, a method of increasing the annual tax on vacant or underdeveloped land was adopted. Land not utilized for the purpose for which it had been purchased from the government was taxed after 1906 at nine percent instead of the usual six percent, with a three percent increase every three years thereafter until an annual tax of 24 percent had been reached. When properly improved, its tax would revert to six percent.

These policies proved most effective in Kiao-chau. Once they were implemented, there was no more land speculation, and economic growth was very rapid. Most important, the increment resulting from growth and development was applied to the welfare of the whole population of the colony. The success of the increment tax in Kiao-chau led to its being widely adopted in Germany itself—by several hundred cities and towns, including Frankfurt-am-Main (which had introduced it for a brief time even earlier), and in 1911 on the federal level. (See the chapter on Germany for further details.)

II

Ludwig Wilhelm Schrameier

THE DETAILS OF the Kiao-chau Land and Tax Statute were based upon a memorandum by Dr. Ludwig Wilhelm Schramaier, a foreign service official versed in Oriental languages, who was serving as Admiral Diederich's interpreter when Kiao-chau was occupied. (He had previously held consular positions in Shanghai and Canton.) Subsequently, Schramaier was named civil commissioner, and entrusted with the administration of land affairs in the protectorate. He was undoubtedly the driving force behind the system described above, although, of course, he would not have gotten very far without the strong backing of Diederichs and Tirpitz.

For all practical purposes, the system may be, and, indeed was, regarded as the essential realization of the single-tax doctrine of Henry George. This was conceded by Schramaier himself, although he claimed not to have been influenced by Georgism directly, but by the practical necessities of administering the territory.⁴ Be that as it may, he was familiar at the time with its basic principles, and became active in the Bund deutscher Bodenreformer on his return to Germany.

In the early 1920s, Schrameier was retained as a consultant by Dr. Sun Yat-sen, who had known him in Shanghai and was familiar with his work in Kiao-chau. He went to Canton to oversee the drafting of the land law and the land registration regulations. These documents were nearly completed when, on January 5, 1926, Schrameier was fatally injured upon being hit by a street-car.

Notes

1. Michael Silagi, *Henry George and Europe* (Will and Dorothy Burnham Lissner, eds.; translated from the German by Susan N. Faulkner; New York: Robert Schalkenbach Foundation, 2000), p. 89.

2. Tseng Hsiao, "Land Tenure in Tsingtao and Henry George's Ideals," in Richard W. Lindholm and Sein Lin, eds., *Henry George and Sun Yat-sen: Application and Evolution of Their Land Use Doctrine* (Lincoln Institute Monograph #77-12; Cambridge, MA: Lincoln Institute of Land Policy, 1977), p. 124.

3. V. G. Peterson, "Germany," in H. G. Brown et al, eds., *Land Value Taxation Around the World* (1st ed.; New York: Robert Schalkenbach Foundation, 1955), p. 194.

4. Silagi, pp. 93ff.

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