

of proper control, had been lavishing money unwisely and unprofitably, and annual reductions of expenditure amounting to over a million were forced upon them. These measures, which were avowedly designed to meet the temporary crisis, were followed by a permanent reorganization of the finances. The system hitherto in vogue had been that grants were made each year by the Governor-General in Council to the treasuries of the provincial governments. All monies were definitely ear-marked for special purposes and could be used for no other. If the authorities at Madras or Bombay saved money through increased efficiency in administration, they derived no benefit from their laudable economy, for they were expected to return the balance they had saved to the imperial treasury. Thus extreme centralization discouraged thrift and stereotyped administrative defects, for the provincial governments naturally put their demands as high as possible and spent all the money they could prevail upon the supreme government to allow them. In December 1870 an important reform was carried through, largely by the efforts and initiative of Richard and John Strachey. A fixed yearly grant which could be revised every five years was made to the various provincial governments, but within certain carefully defined limits the latter were given a free hand in allocating and spending their respective quotas.¹ Thus money saved in one department could be

¹ Some of the critics of British rule in India regard this reform of Lord Mayo's with disfavour on the ground that it caused an increase in the general burden of taxation. Each province, to augment its own revenues, now imposed new cesses mostly on land. Thus the state demand on the soil was increased; this, it was said, infringed in spirit the permanent settlement in Bengal, and in regard to other provinces broke the rule adopted in 1855 and 1864 of limiting assessment to one-half the rental. See R. C. Dutt's *India in the Victorian Age*, p. 257. But it may be pointed out that this practice of separating imperial from local taxation is almost universal in modern states, and the complaint that the total burden of taxation is thereby greatly increased, while at the same time the enhancement is disguised, has been raised in many countries besides India.