The links by which imperial powers controlled their colonies varied over time. Ranging from the raw power of Spain with its advantages of horses and muskets to the more subtle American progressive school teachers and knowledgeable money-lenders, the connections between governors and governed existed at both the institutional and personal levels. The national wealth of a colonial power grew through the advantages of privileged trade, cheap labor, and the plantation economy; the personal wealth of the representatives of the colonial power was sometimes increased through the perquisites of office, some acknowledged, others carefully camouflaged. The document examined in the following pages is an example of one of the ways this personal wealth was quietly increased.

Executive Order #1, issued on January 3, 1942, by Manuel Quezon, president of the Commonwealth of the Philippines, conveyed $640,000 from the Philippine Treasury to the personal bank accounts of General Douglas MacArthur, commanding general of the United States Army Forces in the Far East (USAFFE), his chief of staff, General Richard K. Sutherland, his deputy chief of staff, General Richard J. Marshall, and his personal aide, Colonel Sidney L. Huff. Although the principals involved in this exchange left no other evidence to explain this document’s meaning, a careful search of the...
records of related government offices indicates that this exchange was more than just another way of extricating funds from the beleagured Philippines. Indeed, there is every reason to believe that Executive Order #1 was a transaction between two men of great personal power: one who desperately needed aid for his countrymen and security for himself and his family, the other holding the means by which both believed these ends could be achieved.

This document, found in the recently opened papers of Richard K. Sutherland in the National Archives, Washington, D.C., reads as follows:

FORT MILLS, CORREGIDOR
PHILIPPINES

BY THE PRESIDENT OF THE PHILIPPINES
EXECUTIVE ORDER NO. 1

General Douglas MacArthur, United States Army, was appointed Military Adviser to the Commonwealth of the Philippines, with the approval of the President of the United States, upon its inauguration in November, 1935. General MacArthur, assisted by the American Military Mission which he


2 The corroborating documents found in Files of Division of Territories and Island Possessions, “9-7-4 Banking,” Legislative and Natural Resources Branch (NNFN), NA, were found by this author earlier than Executive Order #1 and were originally believed to perhaps reflect methods of legitimately conveying funds out of the Philippines. A search of File “9-7-43 Money,” NNFN, NA, however, provided ample evidence that there existed very complex, carefully-outlined, and carefully-controlled methods for such transfers, none of which were followed in the transfer of funds initiated by Executive Order #1.

3 A letter of thanks mentioning but not describing this executive order may be found in Quezon to MacArthur, Feb. 20, 1942, RG 10, VIP files, MMBA. In an effort to determine why this document had not been published with other Philippine executive orders from this period, I visited the Malacanang Library in Manila, repository of Philippine government documents, and was told by the archivist in charge that no executive orders had been issued between December 1941, when Quezon left Manila, and May 1942, when he arrived in Washington. It is true that many of the earlier executive orders issued by the Commonwealth government during the period 1936 to 1941 were not published and much of the official record had been destroyed during the Japanese occupation. Consequently, it is small wonder that the records pertaining to this order were lost or destroyed and never missed by the postwar Philippine government.
formed, devised original plans and methods to develop the national defense of the Philippines. The Military Mission was the instrument which enabled the Government of the Commonwealth to train and equip an army. During bitter assaults by shortsighted or misguided critics of my national defense policy the Military Mission, on many occasions, bore the brunt of the attack and contributed immeasurably to the successful fulfillment of my plans. These officers forged the weapon that is now striking the blows on the field of battle that earn for the Philippines the priceless right to be recognized on its own merit as an equal in the brotherhood of arms by the nations of the world. A magnificent defense has earned the plaudits and admiration of the world. That no troops have ever done so much with so little is due primarily to the outstanding generalship that made possible the skillful maneuvers that saved the lives of thousands of our soldiers despite the overwhelming force that confronted them. But it is in the importance of the accomplishment of General MacArthur and the Military Mission rather than in their deeds themselves that makes them transcendant. They stand as the outpost of victory of individual freedom and liberty over slavery and tyranny in the mighty struggle that engulfs the world. Win or lose, live or die, no men have ever carried a heavier burden or weightier responsibility with greater resolution and determination. The record of their services is interwoven forever into the national fate of our people.

In recognition of outstanding service to the Commonwealth of the Philippines and pursuant to the authority granted me by Commonwealth Act Number One and especially by the Emergency Powers Law, the officers named below are hereby granted recompense and reward, however inadequate, for distinguished service rendered between November 15, 1935 and December 30, 1941 as indicated below:

<table>
<thead>
<tr>
<th>Officer</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Douglas MacArthur</td>
<td>$500,000 U.S. Currency</td>
</tr>
<tr>
<td>Major General Richard K. Sutherland</td>
<td>$ 75,000 U.S. Currency</td>
</tr>
<tr>
<td>Brigadier General Richard J. Marshall, Jr.</td>
<td>$ 45,000 U.S. Currency</td>
</tr>
<tr>
<td>Lieutenant Colonel Sidney L. Huff</td>
<td>$ 20,000 U.S. Currency</td>
</tr>
</tbody>
</table>

Done at Fort Mills, Corregidor, Philippines this third day of January, in the year of our Lord, nineteen hundred and forty-two and of the Commonwealth of the Philippines, the seventh.

By the President:  
[Sgd. Manuel L. Quezon]  
Secretary to the President.

Received from His Excellency, the President of the Commonwealth, the sum of ONE MILLION TWO HUNDRED EIGHTY THOUSAND PESOS, (P1,280,000.00). In the event that orders issued to the Chase National Bank by radio on February 15, 1942, directing the transfer of certain funds, are not carried out, these funds will be applied to that purpose; otherwise, they
will be held for the account of the Government of the Commonwealth of the Philippines.

Fort Mills, P. I.,
February 25, 1942.

Received from General Douglas MacArthur the sum of ONE MILLION TWO HUNDRED EIGHTY THOUSAND PESOS (P1,280,000) which have been held by him for the account of the Commonwealth Government for special purposes specified by the President of the Commonwealth.

(Sgd.) MANUEL ROXAS
Lt. Col.,
In Charge of Philippine Treasury.

Certified to be a true copy:

S. L. HUFF,
Lt. Col., A. D. C,

The conditions under which this document was executed help to explain its meaning. Douglas MacArthur was recalled to the regular United States Army to command USAFFE in July 1941 after serving more than five years as military advisor to the Philippine Commonwealth. As military advisor, MacArthur received a salary of 36,000 pesos ($18,000) per year and personal yearly allowances of 30,000 pesos ($15,000). In addition, he insisted upon, and was given, a seven-room, fully air-conditioned suite atop the Manila Hotel, equal in comfort to that of the American governor general's residence which had been Malacanang Palace until the inauguration of the Commonwealth. From 1935 to 1937, the General remained on active duty in the United States Army and thus continued to receive his salary as a

4The most complete account of the years under discussion in this summary are in D. Clayton James, The Years of MacArthur (2 vols., New York, 1970 and 1975), I, 479–619, II, 3–99; and Frazier Hunt, The Untold Story of Douglas MacArthur (New York, 1954), 167–259; more generalized accounts from participants include Quezon, The Good Fight, and Sayre, Glad Adventure. Specific documents relating to MacArthur's appointment may be found in RG 1, 10, 17, and 18, MMBA; OF 25t, OF 400 and PSF 102, Franklin D. Roosevelt Library (FDRL); AG 093.5 Phil. Islands, Old Military Branch (NNMO) and file 6166-111, Bureau of Insular Affairs, NNFN, NA.

5 Quezon to MacArthur, Dec. 31, 1935, RG 10, VIP files, MMBA; "Memorandum of the Terms of Agreement..." 1935, RG 1, MMBA; "The Vargas-Saulo Interviews" (second interview), 29, and (fourth interview), 67; and Domingo C. Abadilla, "The Manila Hotel Story," Sept. 29, 1975, Vargas Foundation (VF), Manila; Quezon to MacArthur, Oct. 25, 1935, Quezon Papers, PNL. The calculation is based on the rate of exchange during the 1930s which was regulated by the U.S. government and did not fluctuate.
major general in addition to the Philippine emoluments. (After 1937, when he chose retirement rather than reassignment, his United States Army pension replaced the major general’s salary.) The General, as well as the staff of the Military Advisor's Office, was permitted the additional salary and allowances under an act of Congress passed in 1926 which authorized the President to assign military advisors to certain foreign countries and which allowed such advisors "to accept from the government to which detailed offices and such compensation and emoluments thereunto appertaining as may be first approved by the Secretary of War or by the Secretary of the Navy, as the case may be." This act was revised in May 1935 to include the Philippine Islands.6

During the six-year period from 1935 to 1941, the General attempted to develop in the Philippines a citizen army patterned after that of Switzerland and partially supplied by the U.S. Department of War.7 Despite criticism from Washington planners and some Philippine leaders,8 he optimistically dismissed the assumptions of WAR PLAN ORANGE, which argued that in case the Philippines were attacked by Japan the best that could be expected would be a holding action in northern Luzon until aid could arrive from the United States.9

On December 8, 1941, Japanese bombers began their onslaught against the Philippines. Within two weeks, it had become painfully clear that MacArthur's original plan to repel the invaders at the beaches would not succeed, and he was forced to reorganize his armies for a stand on Bataan and Corregidor as WAR PLAN ORANGE had originally outlined. On December 24 the USAFFE staff, accompanied by some members of the High Commissioner's Office and token representation of the Commonwealth government, prepared to move its headquarters to Fort Mills on Corregidor and declare Manila an open city. Although the seriously ill Quezon argued

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6 U.S. Statutes at Large, XLIV, 565 (1927), XLIX, 218 (1936). For correspondence relating to MacArthur's retirement in 1937, see Craig to MacArthur, Aug. 24, 1937, file PSF 102, FRDL.
7 "Report on National Defense in the Philippines" (Manila, 1936), RG 1, MMBA; Craig to MacArthur, Aug. 5, 1936, file AG 093.5, NNMO, NA; MacArthur to Quezon, June 1, 1935, RG 17, MMBA.
8 For a discussion of the on-again-off-again support of the War Department, see Louis Morton, Strategy and Command: The First Two Years (Washington, D.C., 1962), 45-68. See also Camilio Osias, ed., The Philippine Forum (Manila, 1935-1937) in which Osias, a member of the Philippine National Assembly, reported his own disagreements as well as those of others with MacArthur's strategy.
9 WAR PLAN ORANGE, devised in 1904, was regularly updated prior to this period and was revised early in 1934 when it became clear that the U.S. Congress would approve legislation establishing the Philippine Commonwealth. The last revision occurred in 1938 and held until replaced by RAINBOW 5 in early 1941. See Morton, Strategy, 22, 36, 41-42, 86-91, 131-139.
that he could best serve his people by staying with them in Manila. MacArthur, supported by his superiors in Washington, persuaded Quezon that his place was with a government in exile, safe from Japanese pressure.  

The days following the move to Corregidor were desperate indeed. Crowded into the narrow laterals of Malinta Tunnel with little hope of safe passage out of the situation, those present were naturally fearful. When the Japanese began their full-fledged air attack on the fortress on December 29, these concerns reached a new high. The solemn inaugural ceremony, which took place the next afternoon, marking the beginning of Manuel Quezon's second term as Commonwealth president did little to raise the spirits of those present.  

Neither the published accounts nor unpublished papers of any of those involved reveal all that went on at the January 1, 1942, meeting held at MacArthur's headquarters on Corregidor. A diary of those days says only that "late this afternoon an important dispatch was received from the War Department. The General held a conference at his quarters, Generals Sutherland and Marshall and Colonels Willoughby and Huff attended." Later, President Quezon was called in. Still later, Mr. Sayre attended. A reply was drafted in conference.  

The dispatch referred to in this entry argued for the evacuation of Manuel Quezon from Corregidor to the United States. While MacArthur's response insisted that this was "too hazardous to attempt," Quezon was quoted as having "no preference" regarding the move. What becomes clear from reading the remainder of USAFFE's long response is that the evacuation suggested by Washington indicated to those on Corregidor who read it that the War Department was not optimistic about the relief of the Philippines. In an attempt to reverse this attitude, MacArthur issued his most impassioned plea up to that point, arguing for "the immediate combined effort of all resources of

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10 For the best account of the Philippine defense during the months between December 8, 1941, and its capitulation in May 1942, see Louis Morton, The Fall of the Philippines (Washington, D.C., 1953). For accounts of the move to Corregidor, see MacArthur, Reminiscences, 136; and James, Years, II, 30.  
11 Although the tension of the last week in December on Corregidor is discussed in all of the recollections of the period, a particularly detailed account is in Sayre, Glad Adventure, 230-251.  
12 It is important to note that the four USAFFE officers who participated in the early part of this meeting were the men who had the closest and most personal relationships with MacArthur and were almost continuously at his side during these days. See James, Years, II, 77-80. Three of these men were rewarded by Executive Order #1. Colonel Willoughby's exclusion is unexplained by any of the evidence discovered thus far.  
13 "Diary, General Douglas MacArthur, Commanding General, United States Army Forces in the Far East," 44, RG 2, USAFFE, MMBA.  
14 John Jacob Beck, MacArthur and Wainwright, Sacrifice of the Philippines (Albuquerque, 1974), 58-59; Morton, Fall, 239.
the United States and her allies by land, sea, and air."15 In the aftermath of this exchange, Executive Order # 1 was issued on January 3, 1942, and then apparently held in abeyance until February 15.

From January 3 until February 15, 1942, communiques between Washington and Corregidor reflected the growing realization that the USAFFE troops would not be relieved. The consequent disillusionment of the troops and their leaders culminated in the February 8 dispatch from Fort Mills in which Quezon suggested surrender and neutralization of the islands; MacArthur seemed to acquiesce, arguing that "the temper of the Filipinos is one of almost violent resentment against the United States."16 Reaction in Washington on February 9 brought conferences between Secretary of War Henry L. Stimson, General George C. Marshall, and President Franklin D. Roosevelt, and resulted in Roosevelt's now famous response "emphatically deny[ing] the possibility of this government's agreement to the political aspects of President Quezon's proposal."17 Granting MacArthur authorization to capitulate "the Filipino elements of the defending forces," the President acknowledged MacArthur's "desperate situation" and again suggested the evacuation of the High Commissioner, President Quezon and his Cabinet, and the General's wife and son. The dispatch clearly conveyed the message, however, that MacArthur's responsibility was to keep United States troops fighting because "it [was] mandatory that there be established once and for all in the minds of all peoples complete evidence that the American determination and indomitable will to win carrie[d] on down to the last unit."18

Although some accounts of the reaction at Fort Mills to Roosevelt's message have suggested that a furious Quezon attempted to resign and return to Manila, the principals involved at the time made no such claim.18 Other dispatches indicated that the period from February 9 to February 12 was one of indecision on the part of the Philippine president and heightened concern in Washington. However, on February 12 the debate appeared to have drawn to a close with Quezon's acquiescence in the United States advice.19

On February 15 the British surrendered Singapore, underlining

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15 MacArthur to George C. Marshall, Jan. 1, 1942, file AG 381, Dec. 41, Far East Situation, NNMM, NA.
16 MacArthur to Marshall, Feb. 8, 1942, No. 2275, NNMM, NA.
17 Roosevelt to MacArthur, Feb. 9, 1942, No. 1029, Item#8, Exec. # 10, Quezon File, NNMM, NA.
18 For an account of Quezon's violent reaction to the Roosevelt message, see James K. Eyre, Jr., The Roosevelt-MacArthur Conflict (Chambersburg, Pa., 1950), 40–41. MacArthur, Reminiscences; James, Years; and Quezon, The Good Fight, do not mention Quezon's reactions.
19 For the clearest account of this exchange, see Beck, MacArthur, 96–110.
with abundant clarity the desperate position of the Filipinos and the forces attempting their defense. On the same day MacArthur wired the War Department of Quezon's desire to transfer $640,000 via Executive Order #1 to MacArthur, Sutherland, Marshall, and Huff. Although there is no direct evidence connecting this radiogram and one from Fort Mills to Washington on the 16th, it is significant that after several statements arguing that Quezon could not safely be evacuated, MacArthur, one day after the transfer of funds was ordered, reversed his position and decided that indeed the president's evacuation could be achieved. On February 20, just after he received verification of the transfer, this decision was carried out and Quezon headed south toward the unoccupied islands on the submarine *Swordfish*.

Meanwhile in Washington, officials in the War Department and the Department of the Interior (the Division of Territories and Island Possessions) spent some of the time between February 16 and February 20 in correspondence with the Chase National Bank where Commonwealth funds were held, assuring the bank officials that the transfers should be made and that "the original radiogram was shown to the President of the United States and to the Secretary of War and they were informed of the action taken." On February 18 John Prentice, assistant cashier of the Chase National Bank, wired the director, Division of Territories and Island Possessions, that the transfers had been completed. On February 19 a letter from Prentice to the director confirmed that the transaction had been made as directed by the radiogram of February 15 and Executive Order #1. Shortly thereafter, the War Department relayed this information to Quezon.

Since efforts to reach persons who participated in this exchange have met with failure, and since the principals involved are all dead...
and did not refer to this episode in any of their published accounts or private papers, it is impossible to determine conclusively all of the reasons behind the exchange of funds and the connection of the exchange to subsequent developments. The incident does, however, suggest several possible conclusions which help to explain questions long asked by students of the period:

1. MacArthur's chief biographer has suggested that "some of MacArthur's reactions and behavior in early 1942 are hard to comprehend apart from the context of his personal ties and devotion to the Philippine nation and its president, Quezon." Although the retreating USAFFE troops clearly were under-supplied, MacArthur refused to contradict Quezon's order that critical rice and sugar supplies not be moved from the provinces within which they were bought and where they were available to the resident Filipinos. At other times, bombing schedules were delayed on the demand of the Philippine president. In the light of Executive Order #1, we must ask if MacArthur's "personal ties and devotion to the Philippine nation" were influenced by half a million dollars provided by its president, Quezon.

2. Since the War Department's wire to the Chase National Bank clearly stated that both President Roosevelt and Secretary Stimson had seen the Quezon radiogram and since a copy of that wire was found in the Roosevelt Papers, we must assume that MacArthur's superiors in Washington understood the possibility that their commanding general felt angry and abandoned and might therefore refuse to follow orders or somehow undermine American policy. Perhaps they believed that their acceptance of this exchange was a necessary expedient to insure MacArthur's and, in turn, Quezon's cooperation in creating the vision of "American determination and indomitable will" which Roosevelt demanded in his message of February 9. The fact that Secretary of Interior Harold L. Ickes looked askance at but did not interfere with the exchange lends credence to this point.

3. Since MacArthur and Quezon clearly had not decided on the feasibility of Quezon's departure until mid-February, it is possible that notice of the completed transfer of funds influenced MacArthur's decision to evacuate the Philippine president on February

26 James, *Years*, II, 90-91.

27 It is clear in the accounts of official Washington during this period that almost no one outside of those directly involved was aware of the Philippine gift. However, in the diary of Harold Ickes (microfilm edition, reel 5), entry dated April 5, 1942 (LC), the Secretary of the Interior, whose department had been actively involved in the correspondence relating to the transfer and kept the only complete file thereof, recounted a discussion with Philippine Commissioner Joaquin Elizalde concerning the matter. Ickes stated that Elizalde "confirmed the $500,000 credit to MacArthur ... [and] said that it was not extra compensation paid by the Philippine Government but I thought that he acted just a little embarrassed." Ickes, who mistakenly believed that General Jonathan Wainwright was also a recipient of Philippine funds, went on to ask "Why was it necessary to place such large sums of money to the credit of General Wainwright and
20. As Stimson and Roosevelt hoped, the Commonwealth president would be much less likely to negotiate with the Japanese from exile in the southern islands, Australia, or the United States.

4. MacArthur's vehement insistence, throughout the war, on the necessity of approaching Japan through the Philippines may have been partly influenced by the knowledge that Quezon, in exile in the United States, certainly expected such a strategy and might even have believed that he and the General had a prior understanding to that effect.

5. Finally, one of the most controversial debates of this period takes shape around the question of why MacArthur felt called upon to free Manuel Roxas while he imprisoned the other members of the collaborationist government who were captured with Roxas after the invasion of the Philippines in 1944. According to one eyewitness account, the telephone call in late April 1945 from Roxas at Sixth Army Headquarters at San Fernando, Pampanga, to General Sutherland at MacArthur's headquarters in Manila effected his release. Perhaps Roxas's signature on the sheet attached to Executive Order #1 was a reminder to the recipients of the $640,000 of the confidential exchange which Roxas had witnessed on Corregidor and an additional reason for MacArthur's often reconfirmed trust in the man who would shortly become the first president of the Philippine Republic.

The complete explanation of this exchange lies buried beneath the rationalizations, ambivalences, and secrecy of the participants. While it is possible that both those approving and those accepting the $640,000 in question may have believed that their action was protected by the congressional act which allowed for the establishment of the office of military advisor, it would seem that the July 26, 1941, order which transferred the staff of that office to USAFFE would preclude this interpretation. Since they had been reassigned to a U.S. force, it can be argued that MacArthur and the other three officers involved were once again subject to regular U.S. Army rules, which...
state in part that "every member of the Military Establishment, when subject to military law, is bound to refrain from . . . Acceptance by an officer of a substantial loan or gift or any emolument from a person or firm with whom it is the officer’s duty as an agent of the government to carry on negotiations."

Certainly it is doubtful that the act of 1926 was meant to allow exchanges of this size to occur under conditions such as those on Corregidor in early 1942. The moral implications are even more complex and ambiguous. In the period in which it occurred, this "recompense and reward" was not without precedent, although the amount involved certainly would make it one of the largest gifts of its kind. President Quezon could have believed that he was acting in the best interests of his countrymen, as perhaps he was. However, the acceptance of these gifts totalling $640,000 by officers on active duty with the U.S. Army from the treasury of an impoverished country is more difficult to justify. It is the historian's responsibility to lay bare such transactions in order to encourage further research, debate, and understanding of their meaning and implications for both the past and the present.

Notes and Documents

107  Douglas MacArthur and Manuel Quezon: A Note on an Imperial Bond
CAROL M. PETILLO