

TREASON IN DETROIT: THE CURIOUS CASE OF MAX STEPHAN (PART TWO OF TWO)

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In our last episode, we recounted the true story of Max Stephan the fiftyish German-born restaurateur and Nazi sympathizer who lived in Detroit. In 1942, Stephan was convicted of high treason. His case is particularly noteworthy because Stephan became the first U.S. citizen to be convicted of this crime since the Lincoln Assassination of 1865. However, there are still un-answered questions regarding the case, a fact that gives it current relevance to the legal community and strikes a parallel with recent events within our country.



MAX STEPHAN

A former prison guard and member of the German National Police, Stephan was convicted of helping a German Luftwaffe pilot, twenty-one-year-old Hans Peter Krug who had been shot down in Britain and placed in Bowmanville, a POW camp near Toronto, Ontario. Krug, who had escaped from the camp was attempting to go from Canada through the Midwest to reach the still-neutral country of Mexico. At this point in our tale, Krug has just arrived at the home of Mrs. Marguerite Bertelman, a German-born associate of Stephan. Bertelman waitressed at the “German Restaurant,” (located on East Jefferson a block east of East Grand Boulevard) which Stephan owned with his wife Agnes.

Le Tour de Troit

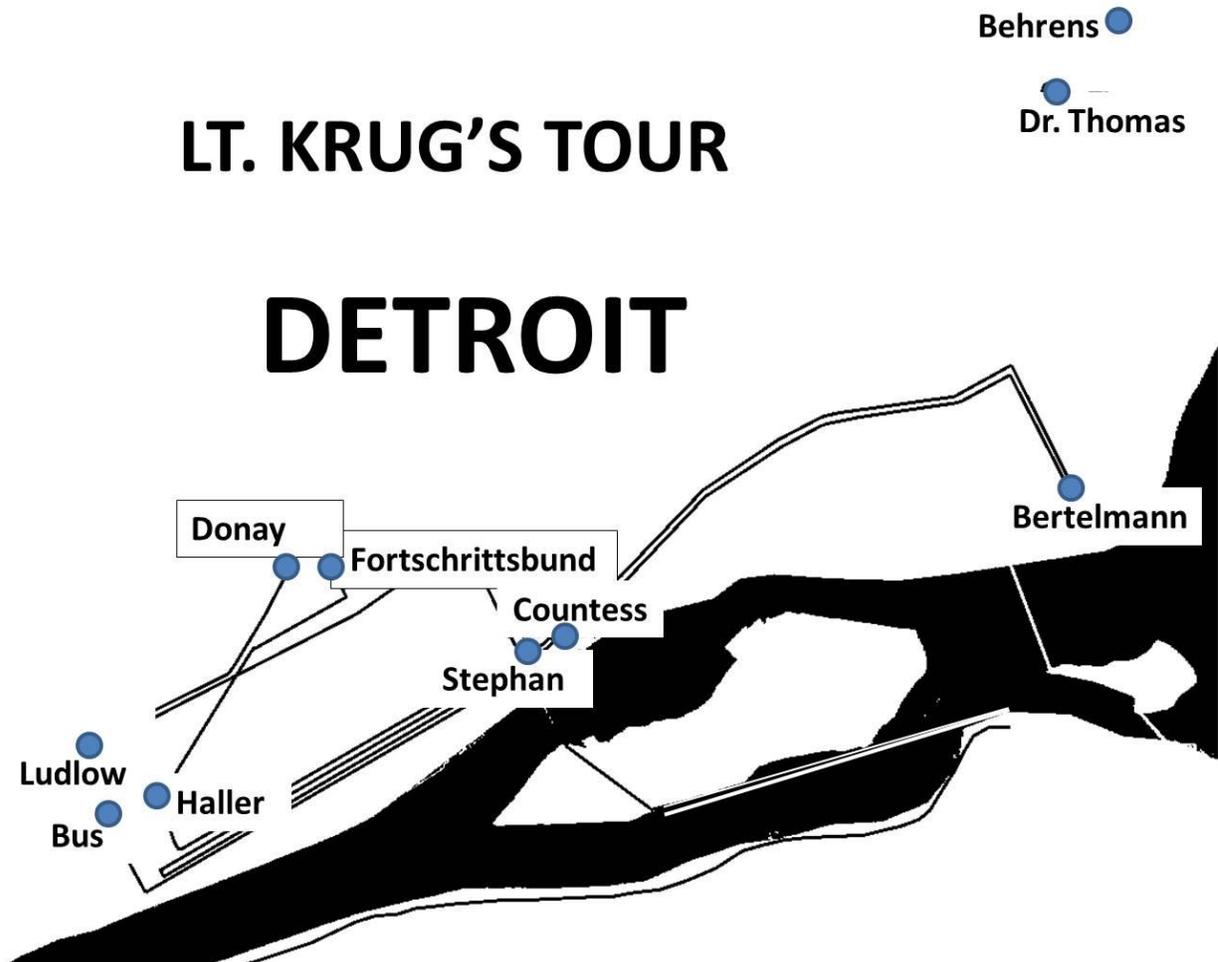
On Friday, 18 April 1942, Bertelmann called Stephan between 9:00 and 9:30 AM. He arrived at her house by automobile between 9:30 and 10:00 AM. Reportedly, the Bertelmann home was the only private residence that Lieutenant Krug had entered during his time in Detroit. During her quest’s brief stay, Bertelmann provided Krug with \$20.00 and some fresh underwear.



STEPHAN'S RESTAURANT

Krug met Stephan for the first time at the Bertelmann home. Stephan suggested to Krug that he abandon his impossible escape plan and give himself up. Was Krug considered a porcupine that Stephan wished to toss into

the lap of someone else? Soon, Stephan reversed his position for no apparent reason. He invited Krug to remain in Detroit as his guest until Monday. Stephan explained further that he wanted Krug to be the featured speaker at a Sunday-night meeting of the Schwaben Society, a German cultural/social group. At this meeting, Stephan wanted Krug to tell about his life in Germany, his war experiences, and his escape. What Stephan did not reveal to Krug was that an inner core of pro-Nazis planned to remain at the German Restaurant, after midnight to celebrate the Fuhrer's birthday, which was on 20 April. Krug declined this invitation.



Stephan drove young Krug back to his establishment. Krug claimed that he did not have the address of the restaurant with him. This detail seems odd because Stephan had sent the packages prepared by the ladies auxiliary group from the local Red Cross to Bowmanville Camp from his place of business. Stephan then sent Krug, who had slept very little in the preceding days, on a walking tour of downtown Detroit. Krug made this 2.5 mile walk in broad daylight while wearing the same prison overalls that he had worn during his escape. Following his walk, Krug returned from his downtown excursion by trolley before noon. Shortly afterward, Stephan and Krug began their whirlwind tour of Detroit's near-eastside, a trip that they would make in Stephan's car. The pair made stops at six commercial establishments. Their first destination was the A.W. Lenz Company. Here, Stephan picked up dishes, glassware, and crockery for the Schwaben Society meeting on Sunday evening. While at the Lenz Company, Stephan asked the proprietor, William C. Lenz, to call the Michigan Central railroad station and ask for departure times to Chicago for that day. The purpose of such an indiscreet inquiry remains unknown. Lenz reported back that the trains left at 4:00 PM and 11:00 PM. Per trial testimony, Stephan and Krug made plans for the departure of the latter at 4:00.



LT. PETER KRUG

Next, the pair stopped and purchased a small traveling bag for Krug from a Jewish merchant (name not known). The Jewish community had been very active against the Bund, a merger of the Friends of New Germany, a group formed by Germany's Deputy Fuehrer Rudolf Hesse and the Free Society of New Teutonia. The leader of the Bund was Fritz Julius Kuhn, a naturalized U.S. citizen from Munich who resided near Wyoming and Puritan Avenues in Northwest Detroit. During the 1930s, the Jewish community picketed the German Consul in Detroit with signs that read "We Don't Want Hitler Spies in Detroit."



PICKETING THE GERMAN CONSUL

Following the purchase of the bag, Stephan and Krug headed to Haller's Café at 1407 Randolph on the northeast corner of Gratiot at the lower end of Harmonie Park; Stephan had known proprietor August Haller for about ten years. During the Saturday lunch-hour, thirty patrons filled the Haller place. Rather than sitting at a less-exposed table, Stephan and Krug took seats at the bar. Krug gave his new travel bag to Haller, who placed it behind the bar. Haller then served the pair two rounds of boilermakers (whiskey with a beer chaser). One may wonder if such drinks on a relatively empty stomach and apparent lack of sleep left Krug a bit drunk. After he and Stephan left the cafe, Krug had to return to the Haller establishment to retrieve his new travel bag. It would seem less conspicuous for Krug to leave the bag in the back of Stephan's car before entering the cafe. Did he leave it with Haller for a specific reason? Did Haller place anything into the bag?



FORTSCHRITTSBUND CLUB

Next, Stephan and Krug drove to the Fortschrittsbund (Progress Federation) Hall at 3003 Elmwood Street, located at the northwest corner of Elmwood and Arndt Street on the near-eastside. Like dozens of German societies in America, the Fortschrittsbund had started as a singing organization. Its space served as a community-gathering spot for drinking and for singing traditional folk songs. Krug and Stephan continued to drink in the Fortschrittsbund. Their continued midday drinking led Krug to lapse into speaking German rather than English, an error about which Stephan warned him. This warning seems unusual because the establishment catered to patrons of German and Hungarian descent. Could getting Krug more tipsy while introducing him to a circle of friends have been Stephan's ploy to confirm the lieutenant's identity? To this, we ask our readers to recall Stephan's earlier career with the German National Police. We also must note that the powers-that-be distributed a "wanted poster" containing a photo of Krug on the previous day. However, Krug's current appearance did not match the image on this poster. Stephan knew that the FBI had watched him because of his ongoing involvement with various German organizations. Due to these facts, did he suspect that this Krug may have been an imposter?

Following a repast of coffee and cake washed down with a round of schnapps, the travelers left the Hall and drove four blocks to the (German-American) Europe Import Company. Theodore Donay owned this business, which was located at 3152 Gratiot Avenue, one block south of Mack Avenue. Of all of the contacts made that Saturday during Krug's Detroit excursion, Donay was the most outspoken pro-Nazi/anti-Semite. Ultimately, Donay's behavior that afternoon would lead to his undoing in this affair. Dietrich Rintelin, the assistant to Donay at Europe Import Company, had become a Confidential Informant T-1 for the FBI. Donay contributed another \$20.00 to Krug, an act that Rintelin had witnessed. Later, the FBI would accuse Donay of giving "aid and comfort to the enemy." When Donay was arrested and brought to trial, Rintelin would serve as a witness for the prosecution. More immediate to the Stephan case, Rintelin notified the FBI about Krug on Saturday at 6:03 PM. However, agents did not take action until thirty hours later. Though Krug had departed by that time, the FBI rounded up close to two dozen celebrants at the Hitler birthday party in the wee hours of Monday morning.

Upon leaving the Europe Import Company, Stephan suggested taking Krug to the eleven-room "gentleman's establishment" at 54 Duffield. Then owned by Mrs. Alvina Ludlow, the property now stands as a vacant lot on the north-side service drive of the Fisher Expressway between Woodward Avenue and Park Street. As it was the twenty-second birthday of Lieutenant Krug, Stephan proposed that the services provided by the female associates of Mrs. Ludlow would make a good present for the young escapee, imprisoned for almost two years. Mrs. Ludlow announced that she had one room available, though she would need to call in Mrs. "Peggy" Merrifield, a fortyish woman, to take the engagement. Merrifield arrived twenty minutes later by cab. After a few minutes, Stephan and Krug abandoned their plan for the latter's 4:00 PM train (which he did not take). Interestingly, Krug and Merrifield only met together briefly in their assigned room.

At his trial presided over by U.S. District Court Judge Arthur J. Tuttle, Krug testified that he did not find Merrifield attractive enough to complete their transaction. Later, Judge Tuttle requested that all testimony about this episode be struck from the trial records because, as he claimed, it would have endangered the innocence of any young readers of the court transcript. Huh? Mrs. Ludlow's establishment was two streets north of the Fox Theatre, west of the then-affluent Brush Park (Piety Hill) community, and a stone's throw from St. John's Episcopal Church. Given the location of the Ludlow house, we may wonder if Judge Tuttle would concern himself about implicating the reputations of notable third parties and U.S. Military personnel in the other ten rooms.

After their brief visit to the Ludlow establishment, Stephan and Krug did not arrive back at the Stephens's restaurant until about 6:00 PM. This gap leaves almost two hours unaccounted for, given the ten-minute drive from Woodward Avenue back to the restaurant. By the time that Krug partook of his dinner (smoked pork loin and sauerkraut), the waitress, Mrs. Erna Schwartz, and the cook, Christina Klein, were beginning to verify the

identity of Krug from news reports as well as from talk in the restaurant. At the trial, Schwartz testified that Stephan instructed her to escort Krug out of the rear door. Around 9:00 PM, she pointed him toward the Field Hotel, located on Field Street, one half-block north of Jefferson Avenue. Registering as Hans Müller, Krug presumably remained at the hotel for the remainder of the night.



OLD GREYHOUND STATION - DETROIT

On Sunday, Stephan and Krug departed for downtown Detroit at 8:00 AM. After stopping for a breakfast of chicken dinners at a barbecue restaurant, Stephan took Krug to the Greyhound Bus Station at the northwest corner of Grand River Avenue and Washington Boulevard. There, Stephan bought Krug a ticket to Chicago and saw him off.

Cheez It, the Feds!

Stephan returned to his establishment to prepare for the meeting of the Schwaben Society that evening and the more private birthday celebration afterward. The Schwaben meeting commenced at 6:00 PM. By midnight, twenty celebrants remained to honor their Fuhrer's birthday. As the party heated up, FBI agents entered the back room and told the guests to accompany the officers to FBI headquarters downtown by way of the waiting transportation.

The FBI had accumulated information on pro-Nazi activities for two years before the United States entered World War II. The Bureau compiled a body of knowledge known as the National Security Index of Potential Subversives. This list included the name of Max Stephan. After the U.S. entered the war in December 1941, the FBI increased surveillance and conducted occasional raids. One of these raids focused on the roundup at the Stephans's restaurant on 20 April 1942. It included Margareta Bertelmann, the woman who had supplied Krug with money and underwear when he stopped at her home. On the eve of Hitler's natal day, Bertelmann waitressed at the restaurant; in her testimony, discovery indicates that she did so under pressure by Stephan. After being taken to headquarters for questioning, all attendees--except for Max Stephan--were released by the Bureau.

Meanwhile, Krug had arrived in Chicago. He made an effort to convince members of a national network of subversives that he was Lieutenant Krug. It appears that he convinced them. According to Krug, the subversives outfitted him with a new suit of clothes, gave him \$100.00 in twenty-dollar bills, and sent him on his way to a memorized address in Philadelphia. From there, Krug traveled to another address in New York City, stating that he hoped to stow away on a neutral Swedish ship. As that possibility evaporated, Krug reversed direction, taking a route to Pittsburgh and through Cincinnati, Nashville, and Dallas, intending to cross into still-neutral Mexico at Laredo, Texas. From there, Krug planned to make his way to the German embassy in Mexico and then return home. Krug never made it to Laredo. In San Antonio, he stayed at a hotel. The unnamed proprietor (described in records as an overweight blonde woman) heard his accent, became suspicious, and called the FBI. Captured, Krug returned through the U.S. to Bowmanville.



BOWMANVILLE POW CAMP

At this juncture, the prosecution took a strange turn. Building the case against Stephan, the FBI sought to enlist the aid of Krug as a prosecution witness for the trial. Agents asked him to view the individuals involved. They instructed Krug to regard it as his duty to identify the guilty and clear the innocent. Note: Under the rules of the Geneva Convention, member nations could not force a Prisoner of War to testify against those who may have helped him/her while attempting to escape. If a prisoner were to step forward and to testify, s/he would have to do so voluntarily.

Krug volunteered to testify. Even though he was regular military, he was “Nazified.” At Stephan’s trial, Krug appeared in a full-dress uniform adorned with a swastika. In courtroom questioning, he affirmed that the British government had not made any promise of parole because of his testimony (Note: the British military shot down Krug off the coast of England). Also, Krug testified that he did not expect any special treatment from the Canadian government (his jailers) for his contribution. As with a military officer of any nation, Krug had the duty to attempt an escape. However, if one rises above the statutes of the Geneva Convention by volunteering to testify in a way that impugns anyone who gave aid and comfort, would this not jeopardize the chances of any other officers attempting to escape? Why would anyone in his/her right mind ever help a German escapee again? Why did the other officers at the POW camp, including a core group of members of the National Socialist German Workers Party (NASDP; aka the Nazi Party) not view this as a giant blunder in *influencing* Krug not to testify? While at Bowmanville, Krug had received a promotion to First Lieutenant before appearing in a new uniform with the proper accouterments reflecting his new rank at the Stefan trial. Who was his tailor? Curious. Curious, indeed.



LIEUTENANT KRUG @ TRIAL

In the fever of war and retribution, the jury found Max Stephan guilty of high treason as proscribed in Article III, Section 3, of the U.S. Constitution. Judge Tuttle sentenced Stephan to death by hanging. However, there were subsequent court appeals and direct communications by the American Civil Liberties Union and by various influential persons. These included the former Michigan governor, William Francis “Frank” Murphy, now Justice of the U.S. Supreme Court, and Solicitor General Charles Fahy. Consequently, President Franklin

D. Roosevelt commuted Stephan's sentence from death to life imprisonment just eight hours before his scheduled hanging on 1 July 1943. Stephan died of bowel cancer in prison in 1952. Seven weeks later after the Stephan trial, FBI agents arrested leading members of the Buchanan-Dineen espionage ring in Detroit (see "Lipstick and Lies" below).

Theodore Donay, the pro-Nazi who gave money to Krug in Detroit, was convicted of assisting in the act of treason and received a total jail sentence of seven-and-a-half years. Margareta Bertelmann, a resident alien, was placed in an internment camp for the remainder of the war and then was returned to her native Germany. After leaving British custody, Hans Peter Krug returned to Germany in 1946. Upon leaving the military, he became a successful businessman near Dortmund.

Lipstick and Lies

We have titled this section in homage to the delightful spy mystery of the same name by Margit Liesche (Poisoned Pen Press, 2009). This semi-fictional work assisted my (Dr. Sase's) factual research on the infamous World War II espionage ring in Detroit headed by Countess Grace Buchanan-Dineen. The group, rounded up and tried in 1943, had direct, consequential connections to the Max Stephan case. Specifically, Theodore Donay of the Europe Import Company befriended Dr. Fred William Thomas, a core member of the Buchanan-Dineen espionage ring. Furthermore, Thomas associated with Max Stephan at his restaurant. The story of the surveillance, arrest, and trials of members of this ring provides pertinent details that may explain some of the oddities of the Stephan case.

In a press release of 24 August 1943, the United States Department of Justice announced, "Special Agents of the Federal Bureau of Investigation, climaxing an investigation begun in 1939, today arrested three persons in Detroit, Michigan, on charges of wartime espionage." The press release cites arrest-warrants charging violations of the Wartime Espionage Statute. The arrests included the following: Dr. Fred William Thomas, a surgeon and physician, age 44, residing at 4631 Audubon Road in the English Village neighborhood on the east side of Detroit; Mrs. Theresa Behrens, the German-Hungarian Secretary of the International Center of the YWCA, residing at 5050 Harvard Road about a half-mile north of Dr. Thomas; and Grace Buchanan-Dineen, a well-heeled socialite and lecturer, age 34, living at 7716 East Jefferson Avenue in an apartment building one block away from the Stephans's restaurant.



THE COUNTESS

A descendant of French nobility, Countess Grace Buchanan-Dineen, had been trained carefully in espionage activities in Budapest and Berlin. Her instruction included microphotography, communication methods, gathering vital information, using secret inks, and developing a pretext for her movements throughout the United States. This pretext included Buchanan-Dineen becoming a lecturer on grace, charm, and manners to society ladies in Metro Detroit and elsewhere in the United States. Nevertheless, her real assignments included:

- 1) Location of munitions
- 2) Location of airplane factories, their production, and the number of employees
- 3) Location of military camps and naval bases
- 4) All available information concerning helium
- 5) Convoy composition and sailing dates
- 6) Information on medical supplies exported

The Countess's recruiter from the German Espionage Service, Sari deHajek, provided Buchanan-Dineen with a notebook containing the names and addresses of some 200 prominent and influential persons residing in thirteen states and the District of Columbia. However, within a month after arriving in Detroit from Europe in 1941, Buchanan-Dineen was contacted by the FBI. Subsequently, she cooperated fully with the Bureau and served as a double-agent. The Countess forwarded all information to her espionage superiors in Germany. However, she was operating under the surveillance of the FBI. Therefore, the FBI and the U.S. Army and Navy Intelligence Services cleared all information sent to Germany by the Countess.



DR. FRED THOMAS

Long known to the FBI in Detroit, Dr. Thomas associated with the successive leaders of the German-American Bund. These included the aforementioned Fritz Julius Kuhn, and Gerhard Wilhelm Kunze, a natural-born American. Thomas also associated closely with Fritz Heiler, the German Consul in Detroit. Notably, Thomas was close to Max Stephan, who hosted Bund meetings at his business establishment. Thomas served as a speaker at these meetings. Furthermore, the Justice Department reported that he “followed a prominent Detroit religious leader [unnamed] around to various meetings [in 1938 and 1939], speaking on behalf of National Socialism and defending Nazi Anti-Semitic atrocities.”

Born to German parents in Yugoslavia, Theresa Behrens came to the United States in 1913. In 1929, she became a naturalized citizen in Detroit. The Justice Department reported, “On numerous occasions, Mrs. Behrens assisted in contacting persons and in gathering information desired by the spy ring.” The report continued by stating that she “enthusiastically entered into arrangements to contact persons who had or could obtain the information desired by the German espionage group system and [that] no one in the Detroit group was more active than she, in lining up sources of information.”

Questions Concerning the Stephan Case

- 1) The Countess had close contact with Behrens and Thomas. As a result, Theodore Donay met and assisted Peter Krug during his escape. Therefore, when did the Countess and the FBI become aware of Stephan and Krug's daytime tour around Detroit?

- 2) Did the FBI have all of the information that they needed about Stephan and Krug before receiving the report from Confidential Informant Dietrich Rintelin, the store assistant to Donay?
- 3) Given the sting operation that the FBI had been developing since 1939, was the appearance of Krug in Detroit treated as a “fly in the ointment,” jeopardizing the real sting?
- 4) Did Dr. Thomas, Mrs. Behrens, and other core operatives perceive Krug as a potential threat to exposing the high-level espionage operation in Detroit, Chicago, and elsewhere?
- 5) Was the lower-echelon Max Stephan ordered to put Lieutenant Krug on public display at ten places of business before Krug left for Chicago by bus? This routine would have made him an easy catch for the FBI while diverting attention away from the real espionage activities in the Buchanan-Dineen ring.
- 6) Did Judge Tuttle strike the testimony of Krug and Stephan’s time at the house of Mrs. Ludlow to protect members of the community and, as he suggested, “the eyes of the youth who may read the trial transcripts”? Conversely, did he receive pressure from above because the Ludlow house figured into the sting operation that the FBI had been developing?
- 7) Given that Krug passed through or stopped in eight of the thirteen states represented in the book of 200 prominent contacts now known to the FBI, did the Bureau allow this short-leash sojourn by Krug to facilitate and to solidify their bust of August 1943?
- 8) Was Stephan set up as an appeasement to the FBI, the sacrifice of a small fish after the Bureau refrained from making an easy arrest of Krug in Detroit?
- 9) Did Lieutenant Krug (recently promoted by the High Command during his incarceration) receive orders from his superiors to rise above the rules of the Geneva Convention? Did he testify voluntarily against Stephan to protect the flow of espionage information from the Arsenal of Democracy?
- 10) Did Stephan “rat out” his superiors in the Detroit espionage network in a gallows-side confession on the day that his execution was commuted to life imprisonment?

Auf Wiedersehen

As we close our episode this month, we may ask, “What is the takeaway for attorneys and researchers in Law, Economics, and related fields?” In the case of Max Stephan, as with most issues, there are historical perspectives that we must understand. The sociological, economic, political, and anthroposophical elements should remain as a matter of reflection. When holes in the facts and observations appear, we often find additional information looming just around the corner. To understand the Stephan case fully, we need to examine and trace not only Stephan’s personal history. We must study the development of the underlying ideology that continues to rear its head in ways that motivated Stephan and others eighty years ago.

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