TREASON IN DETROIT:
THE ODD AND CURIOUS CASE OF MAX STEPHAN
(Part One)
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“It is ideas that shape the course of history and, furthermore, that it is ideas, not vested interests, which are dangerous for good or evil.”

-- John Maynard Keynes, English Economist

Throughout this two-part column, we will explore the case of Detroit restaurateur and Nazi-sympathizer Max Stephan. In 1942, Stephan became one of the first U.S. citizens to be found guilty of treason since the Lincoln Assassination in 1865. This case and the decades of events that led up to it and followed it centered in Detroit, the city that we described in our February column as the World War II Arsenal of Democracy. We have chosen to recount the case of Max Stephan in detail because of its historic value, local interest, and relevance to our audience. Stephan’s story is important to the contemporary legal community, especially because of the yet-unanswered questions that surround the case.

The aspects of the Stephan case that make it so peculiar are the missing information and unaccounted gaps in time. They are reminiscent of the riddle about a man who walks into an old-fashioned drug store. This man enters the store and proceeds to take a seat at the soda counter. The pharmacist walks over to the man
and asks for his order. The man tells the druggist that he needs a glass of water. The druggist pulls out a pistol, aims it point-blank at the seated man, and pulls the trigger. Following the loud bang, the man stands up, thanks the druggist, and walks out of the drugstore. End of story. However, some information seems to be missing in this tale, details that would help us to make more sense of the actions of both men. We will retell this tale with additional details at the end of this two-part column.

As John Maynard Keynes states in our opening quote, ideas that are dangerous for good or evil shape the course of history. Therefore, in order to amass the fuller perspective on the case of Max Stephan, we must explore the ideas as well as the events that both preceded and followed the Stephan *affaire* in Detroit. Max Stephan and many others worked under the belief in and influence of an ideology that had emerged in nineteenth-century Europe and continues to this day around the world. Most notably, this ideology continues to this day in Detroit through the National Socialist Movement (www.nsm88.org).

**Birth of an Idea**

The ideology that drove the Stephan case emerged from the *Volksch* Movement, a nineteenth-century German movement that had a romantic focus on folklore, which represented a Germanic interpretation of the populist movement. The early phase
of the Volkisch Movement drew upon the teachings of Friedrich Ludwig Jahn, the German educator and nationalist who appeared as the Volkisch prophet of athleticism, German identity, and national unity. In order to spread his vision, Jahn founded a network of patriotic fraternities in the wake of the Napoleonic War.

By the 1870s, the Pan-Germanic vision had arisen with the formation of the Second Reich, where Otto von Bismarck installed Wilhelm I as the Kaiser. Following this confederation of more than one hundred small principalities, the older land-based economy of the First Reich (the Holy Roman Empire) broke down. Consequently, a mass migration from Germany to America began for those who opposed Bismark and the Second Reich.

In 1866, the Germanenbund had formed as a federation of cultural groups that held festivals and other Volkisch events. These cultural groups explored the history, literature, and mythology that would ferment into the beliefs of Ariosophy, the wisdom and ideological systems of an esoteric nature that concern the Aryans. By 1901, more than 160 such groups existed throughout the country as the democratic German parties and the Pan-German Movement made strong electoral gains.

During the late-nineteenth century, German/Austrian polymath and Volkisch occultist Guido von List stood out as one of the most important figures of this movement. His work formed the platform for Germanic and Runic revivalism and
Ariosophic mysticism. However, the ideas developed by von List and others in the nineteenth century were carried forward into the twentieth century by Lanz von Liebenfels. A former monk in the Cistercian order, von Liebenfels brought the ideas of Ariosophy to a new overt level. In 1907, von Liebenfels founded the Order of the New Templars and, with fellow supporters, the Guido von List Society in 1908. Von Liebenfels advocated sterilization of the sick and “lower races” in his anti-Semitic, Volkisch magazine Ostara, a work studied by Adolf Hitler. The latter was said to have met with von Liebenfels at least as early as 1909 when he gave this Viennese student some missing issues of his magazine.

Next, let us turn our attention to Berlin in 1912. Phillip Stauff, an occultist and officer of the von List Society, joined with anti-Semitic publisher Theodor Fritsch and others to form the Germanenorden, a Volkisch secret organization that was directed toward the upper echelons of society. With Germanenorden, the world saw a new use of the ancient Tibetan/Buddhist symbol for prosperity and fire from Heaven—the swastika.

The Germanenorden survived through the First World War, though it split into two factions. In 1916, the former Chancellor of the order, Herman Pohl, founded Germanenorden Walvater of the Holy Grail. He was joined by Rudolf von Sebottendorff, a wealthy occultist and admirer of von List and von Liebenfels. In his book The Occult Roots of Nazism (Tauris Parke Paperbacks, 2009), English
scholar Nicholas Goodrick-Clarke tells us that the Munich lodge of this organization chose the cover name of the Thule Society (taken from the ancient Nordic name for the mythical Aryan homeland) upon its dedication on 18 August 1918. Having enlisted the backing of various bankers and industrialists in Western Europe and beyond, the Thule Society was determined to contain any Communist expansion westward from Russia.

Another key element of the Stephan case is that of the German Workers Party (DAP), founded by Anton Drexler, a member of Thule, on 5 January 1919 in Munich. The DAP came to public attention during the time of the summer of street fights against the Communist Party that had won the election and taken control of the government in Munich. Given the notoriety afforded the DAP, the Thule Society began to question the autonomy and political direction of the ragtag militant organization. As a result, the Society enlisted the aid of then-Corporal Adolf Hitler to infiltrate the ranks of the DAP. After attending a meeting of the group at a Munich beer hall on 12 September 1919, Hitler reported back to Thule that the DAP posed no danger and could be instrumental to the goals of the Society. In addition, corroborating sources state that Drexler was impressed with Hitler at that meeting and had asked him to join the party. Evidence suggests that it was at this juncture that the Thule Society began to sponsor the DAP heavily as an anti-Communist front. Through the involvement of Hitler, who was funded by the
Thule Society, the DAP began to transform into the National Socialist German Workers Party (NSDAP, aka the Nazi Party).

Barring a couple of setbacks in the early 1920s, the political strength of the NSDAP grew as the party rose to power between 1925 and 1933. The election of 1932 had established the party as the largest parliamentary faction of the Weimar Republic. On 30 January 1933, Hitler was appointed Chancellor of the Weimar Republic by ailing President Paul von Hindenburg. Following the still-suspicious Reichstag fire that a number of historians assert was started by the NSDAP to expel the Communist Party members from the Reichstag, the Enabling Act was enacted on 23 March 1933. This legislation conferred dictatorial powers on Hitler. The Third Reich was open for business.

During the rise and takeover of the German government by the NSDAP, the group known as Abwehr, the sole German military intelligence organization, was active in Germany and around the world. Abwehr functioned as an information-gathering organization from 1921 through 1944. Per the terms of the Treaty of Versailles following the end of the First World War, the Allied powers left Germany devoid of any armed defenses. The organization of Abwehr (a word that means “defense”) developed as a concession to Allied demands that post-war intelligence activities by Germany be used for defensive purposes only. The Abwehr intelligence-gathering agency dealt exclusively with human intelligence, drawing upon reports
from field agents and other sources. The head of *Abwehr* reported directly to the High Command of the German Armed Forces. From there, intelligence summaries were disseminated to intelligence-evaluation sections of the disarmed German Army, Navy, and Air Force.

This worldwide “defensive” intelligence network developed through the 1920s, a decade of peace and prosperity for many, though not for Germany. When the NSDAP assumed totalitarian control of the country in 1933, the intelligence network was already well-established. Rearmament became the topmost priority of the German government under the NSDAP regime, which formally renamed *Abwehr* as the Foreign Affairs/Defense Office of the Armed Forces High Command on 4 February 1938.

**Coming to America**

When thousands of immigrants made their way to the Motor City, the *Volkisch* Movement took hold in the industrial neighborhoods of Detroit. The singing/drinking clubs of the Old Country transplanted into the working-class neighborhoods of “walk-to-work Detroit.”

As the NSDAP grew in strength and size in Germany throughout the 1920s, recruiting efforts to establish an American counterpart commenced. Enlisting the support of Gau-USA, a provincial organization, the NSDAP promoted the creation
of the Free Society of Teutonia in Detroit and other major cities with sizeable Germanic populations in 1924. Finally, in May 1933, Deputy Fuhrer Rudolf Hesse authorized the formation of Friends of New Germany as the support for the NSDAP in the United States. The Free Society of Teutonia and smaller groups coalesced as they merged with the Friends of New Germany to form the German-American Bund in 1936, electing German-born American citizen Fritz Julius Kuhn as their leader. This became the world of shadows in which Max Stephan operated.

Max Stephan

Though the media would portray Max Stephan as a stupid buffoon at his trial, there seems to have been a great deal more substance to the man. Stephan was born in Cologne, Germany, in 1892. When he was nineteen, Stephan entered the German army, in which he served until the end of the First World War. Stephan attained the rank of Sergeant in 1915. In service, he survived several gruesome combats that left 95% of his company dead by the end of the war. In addition, Stephan served as a guard at a military prison. Following the defeat of Germany in 1918, Stephan left the army and joined the ranks of the German National Police. His military-police duties as a guard served him well in obtaining this civilian police job, which he would hold until 1924.
With a total of twelve years of national service, Stephan had to choose between accepting a guaranteed lifetime job in the national service and taking a discharge with a sizable bonus. Accepting the latter, he opened a beer hall in Cologne. Four years later, Stephan sold his establishment and immigrated with his wife Agnes to Windsor, Ontario. The Stephans arrived in Canada in 1928.

The Era of Prohibition across the river in the United States created business opportunities for many in Windsor. The export of illegal liquor went across the Detroit River from Ontario to destinations that ranged from Wyandotte to Grosse Pointe. This traffic flourished for more than a decade. Max and Agnes Stephan opened a bar and restaurant with guest rooms above to meet the demands of “tourists” from across the river.

With the help of Mr. and Mrs. Sanyers, an American couple from Detroit who owned a summer-home on the Canadian side of the river, Mr. and Mrs. Stephan were able to obtain falsified documents that enabled them to establish residency in the United States while remaining in Windsor. However, thirteen years of prohibition ended in the United States with the repeal of the Volstead Act on 5 December 1933. With their resident-alien status established in the United States, the Stephans moved across the river and opened the German Restaurant at 7209 East Jefferson near West Grand Boulevard and the foot of the Belle Isle Bridge.
Finally, Max and Agnes Stephan obtained U.S. citizenship in 1935, based upon their falsified residency.

Gradually, the Stephans’ German Restaurant emerged as a center for cultural activities, which included meetings of the German-American Bund, the Steuben Society, and similar organizations. At the rear of the restaurant, Stephan maintained a large dining room with the capacity for 150 people. Further in the back, there was a small rifle range that was known only to a select few.

By August 1939, Stephan’s reputation surfaced as a matter of public knowledge. With Europe on the brink of war, the United States government formed the Deis Committee to investigate un-American activities that included the Bund. Though the organization had relocated its headquarters to New York, the Bund and its leader Fritz Kuhn had their beginnings in Detroit. As a result, Deis investigators soon included Max Stephan, along with others in Detroit who had scheduled a meeting to be held at the Stephans’ restaurant on 18 August 1939. Before the United States entered the war, Stephan and his circle of friends were outspoken in their pro-Nazi sentiments. However, after Pearl Harbor on 7 December 1941, these groups turned more discreet and clandestine in their behavior. Max Stephan even painted over the word “German” on the front of his restaurant.

**Peter Krug**
During the Battle of Britain in 1940, England captured many downed Luftwaffe pilots and aircrew men and interned them along with prisoners from the Desert War in North Africa. In order to relieve overcrowding in the British Isles, the government transported prisoners to Canada on “deadheads,” empty supply ships that were returning home. As a result, Canada became the jailer of the Empire during the Second World War.

Of all the POW camps in Canada, Bowmanville was the most outstanding. Located northwest of Toronto, the facility had been a reformatory for boys before the war and contained a gymnasium and a swimming pool. During the war, Bowmanville served as a camp for captured German officers. Nevertheless, escape has always been regarded as a military duty as well as a personal one for all prisoners of war. No formal underground railway was said to have existed to help escapees. However, prisoners arriving in late 1940 and early 1941 learned that they had friends in the United States, a country not yet at war with Germany.

German-Americans sent relief packages to the prisoners in Canada. This activity remained legal even after the U.S. declared war on the Axis Powers in December 1941. In Detroit, Chicago, and Buffalo, small groups such as the “Red Cross Ladies” collected handmade or purchased goods from friends and prepared packages of clothing, food, and tobacco to send to the prisoners. Occasionally, these packages would contain other articles hidden inside. These gifts included
special inks, document paper, and binding materials that prisoners would use to forge selective service cards, passports, and other identification to use during escapes. For this reason, the U.S. Government required that packages carry return addresses. However, the prisoners at Bowmanville and other camps would save these addresses and addresses transmitted through a Canadian-based espionage network to build an ad hoc underground railroad.

The Great Escape

In 1940, the British captured Hans Peter Krug, a twenty-year-old lieutenant in the German Air Force after he was shot down during the Battle of Britain. Following hospitalization for wounds, Krug was transferred eventually to the Bowmanville POW camp. However, after a period of careful planning with his fellow officers, Krug made his escape from Bowmanville to Windsor, Ontario, by way of Toronto on 15 April 1942. He travelled under the false identity of a French seaman who was relocating after his ship, the *Normandie*, had been destroyed by fire in New York Harbor. In Toronto, an adjustment bureau that aided such refugees bought Krug’s ticket to Windsor, Ontario. At that point, Krug and his fellow-escapee, Erich Boehle, parted ways as Boehle attempted to cross the Niagara River to the United States.
Krug arrived in Windsor on the early morning of Friday, 17 April. As his bus ticket took him all the way to Windsor, most likely he would have disembarked in the city center along Ouellette Avenue, directly across the river from downtown Detroit. However, given the official story that was obtained after his recapture, Krug would have had to walk through Windsor and upriver past Walkerville for a distance of four to five miles in full daylight to some bushes along the river. He reached this hiding place, which would serve as his point of departure to the United States, by rowboat. As his compatriot Boehle was captured at Niagara Falls, New York, at 10:30 AM, border surveillance was alerted that Friday morning. Krug stated that he hid in the brush along the river until nightfall. While in hiding, he made a paddle for a rowboat that he would “borrow.”

Apparently, Krug embarked from the Canadian shore at about 11 PM. He claimed to have used the beacon atop the Penobscot Building in downtown Detroit to navigate across the river. However, Krug navigated the commercial channel of the river, which has a heavy current, and landed on Belle Isle, the island park in the middle of the river. In order to achieve sufficient cross-drift, Krug would have had to commence his crossing (during which he reported that he had broken his homemade paddle) from the narrows upriver to land on the island.

Furthermore, Krug claimed not to have known that he landed on an island. However, his long walk from downtown Windsor to his hiding place on Friday
morning would have afforded Krug a clear view of the island. More importantly, Krug was a Luftwaffe pilot who relied upon map-reading skills. Ample preparation would have allowed Krug and his fellow officers to develop or to obtain at least a crude map of the terrain to which he was headed. Lynn Phillip Hodgson, the Canadian editor of the espionage magazine *Eye Spy*, asserts that the German military intelligence organization *Abwehr* had smuggled in forged documents, Canadian and American currency, and maps through their agents in Canada (http://webhome.idirect.com/~ lhodgson/germanpows.html).

Krug claims to have stayed on Belle Isle until early morning before walking past the Detroit Boat Club and island utility sheds to cross the six-lane, half-mile-long bridge to the mainland. Given the usual low volume of traffic coming from the island at that hour, his crossing would have attracted the attention of the local constabulary or border patrol. Also, the POW had memorized four Detroit addresses in the German community of Southeast Detroit. In his book *No Ordinary Crime: An Authentic Tale of Justice Influenced by War Hysteria* (Broadblade Press, 1989), James R. Wilson states that he and others believe that the names had come from packages sent to Bowmanville by the Red Cross Ladies who met at the German Restaurant owned by Max Stephan.

Krug asserted that he started his search at an appropriate hour. However, his first contact was Mrs. Margareta Bertelmann at the fourth address that he had tried. As
Mrs. Bertelmann resided 4.5 walking miles from the bridge at 259 Philip in the neighborhood between Greyhaven Island and the border of Grosse Pointe Park, Lieutenant Krug must have had a busy and tiring morning before arriving at her home before 9:00 AM.

**Break Time**

This juncture is a good stopping point for our story. In next month’s column, we will describe how Stephan and Krug met, how Stephan took Krug “on the town,” how Krug left for Chicago, and how the FBI entered the picture. The FBI, which accumulated information on pro-Nazi activities, had compiled a list of subversives that included Stephan. Here’s where the plot thickens…. So, stay tuned until next month for the exciting conclusion of our story of the Odd and Curious Case of Max Stephan! And don’t forget to drink your Ovaltine.