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Russian Counterfeit Dollars: A Case of Early Soviet Espionage

The history of Soviet espionage, by the party's own admission, did not begin in earnest until 1927, when the tiny and previously ineffectual military espionage operation came under the direction of a Moscow-trained Latvian immigrant, Alfred Tiltin.¹ Living in New York as a Canadian under the fictitious name of "Joseph Paquette," the debonair new director of the Soviet Military Intelligence organization in the United States recruited and began grooming a second-in-command who would assume control of the spy group upon Tiltin's recall to Moscow early in 1929. The man was Nicholas Dozenberg, an early member of the American Communist Party, the first editor of the Communist publication *Labor's Voice*, which later became the *Daily Worker*, and a man whose dedication to the Comintern was above question.

It was therefore under the combined leadership of Tiltin and Dozenberg, from 1927 until about 1932, that Soviet espionage began making headway in the United States. These first several years of Soviet espionage activities, however, were years of blundering and naïveté—especially in contrast with the chilling ruthlessness and plodding efficiency of post-World War II Soviet espionage—and were typified by grandiose schemes, hatched and carried out in almost vaudevillian melodrama by shadowy Comintern agents and idealistic enthusiasts of the yet relatively unknown Soviet Experiment. As a result, a large number of espionage schemes simply collapsed for lack of continued interest or were so ill-managed that one wonders how the endeavor escaped public exposure for any length of time. Perhaps one of the most grandiose and little-known schemes has to do with Stalin's decision to counterfeit American \$100 bills in 1928.

The topic of modern counterfeiting generally conjures up images of furtive criminals who, operating in the hidden recesses of the underworld with shabby materials and antiquated equipment, are quickly rounded up by the authorities soon after the appearance of their poor-quality reproductions. Such is usually what in fact happens; however, there are a number of notable exceptions. Hitler's effort to flood Britain with bogus pound notes during the last war, for example, is well known and perhaps overromanticized by

1. U.S. Congress, House, Committee on Un-American Activities, *Investigation of Un-American Propaganda Activities in the United States: Hearings on H. Res. 282*, 76th Cong., 1st sess., 1939, vol. 7, p. 4675.

the many intriguing tales regarding the whereabouts of the master plates and the hidden caches of printed notes. In addition, a variety of smaller and lesser-known counterfeiting plots existed during the war, and the manufacture of bogus money has been used several times as a minor weapon in the arena of cold war politics. Stalin's effort to counterfeit United States \$100 notes in 1928, using both the German section of the Comintern and the tiny Soviet unit in the United States, remains a largely unexplored milestone in the development of Soviet espionage, and although the venture was a dismally mismanaged fiasco, it did not end until 1934.

The enterprise made its appearance quietly enough. A small number of counterfeit \$100 Federal Reserve notes began to trickle into random American and European banks in May 1928, though it was impossible to trace their source beyond the innocent depositors. The trickle quickly became a flood as identical counterfeit bills began to appear all over the world, and reports poured into the United States Treasury Department from Geneva, Mexico City, Bucharest, Vienna, Sofia, Shanghai, and especially Berlin. The flood of counterfeit money increased to such an extent that by January 1930 the Reichsbank-Direktorium in Berlin warned the American Secret Service that unless the estimated \$25,000 in forged bills circulating in Berlin were tracked down and eliminated, the Berlin Banker's Association might be forced to declare them temporarily nonnegotiable. On January 26 reports from Havana indicated that within a single week between \$75,000 and \$100,000 in bogus \$100 Federal Reserve notes had been found in local circulation, especially in the large gambling casinos. The sudden landslide of counterfeit notes reached such proportions that the American banks in Havana were forced to install "special tellers to scrutinize all currency of large denomination."² On the very next day, January 27, reports from Warsaw described a similar situation, and added that the State Bank was so deluged with bogus American currency that "a client presenting [American] notes is asked to give a written guarantee as to their origin and also is obliged to undertake to refund losses if the notes prove spurious."³

The first indication, however, that the counterfeit scheme might be the work of the Soviet GPU rather than an ordinary band of international crooks, occurred when a Polish Communist Party official was arrested for the possession of a large number of forged American bills on February 6, 1930. Polish government officials stated that an initial investigation left no doubt that Polish Communists had received "large quantities of forged \$100 and \$20 notes from Russian and German sources."⁴ During the same week a com-

2. *New York Times*, Jan. 27, 1930, p. 3.

3. *New York Times*, Jan. 28, 1930, p. 9.

4. *New York Times*, Feb. 7, 1930, p. 4. No information is available concerning the forged \$20 bills referred to in this *New York Times* account.

bined investigation by the Berlin police and the United States Secret Service revealed that large shipments of identical counterfeit bills had been funneled into the Deutsche Bank of Berlin through the small, privately owned banking firm of Sass and Martini. Further investigation showed that the long-established and reputable private banking firm had been bought only the year before by unidentified interests, who then "resold" the firm to a leading Berlin Communist.

The news of a Communist plot to counterfeit American dollars, operating in Berlin, which also involved a reputable Berlin banking firm, caught the public's interest, and a series of sensational articles in the Berlin newspapers prompted an efficient police search of Sass and Martini. The owner and managers of the bank had "disappeared," and the discovery of a large cache of bogus \$100 notes quickly led police to a German courier for the GPU, one Franz Fischer, who had also "disappeared" only days before the investigation began. By January 24 the *Berliner Tageblatt* announced that "a reward was being offered by the police for the capture of Franz Fischer," and his photograph appeared in railway stations throughout Germany. After operating in high gear only a few months, the Soviet counterfeiting ring was disintegrating rapidly. Apprehensive Comintern officials hoped that the investigations would come to a close before the scent led directly to Moscow.

The fact that Moscow was implicated in the scheme was publicly exposed, however, within days after the ring began collapsing in Berlin. On January 29 and again the next day, the noted German attorney, Dr. Alphonse Sack, exploited the recent unveiling of the Communist counterfeiting ring to represent his client—a defendant in an unrelated case concerning counterfeit Russian ruble notes—as a German patriot and avenging anti-Communist. Dwelling on the evils of the country which his client had acted against in counterfeiting the rubles, Dr. Sack declared, in a Berlin courtroom, his readiness to prove that the recently uncovered counterfeit American notes had been made in the Russian state printing establishment in Moscow. Dr. Sack went on to say, "During the recent trouble with China \$2,500,000,000 in counterfeit pound and dollar notes from the same source were circulated in China by Soviet agents. Two tons of this counterfeit money . . . was placed at the disposal of General Feng Yu-hsiang, rebel leader, and one ton went to the staff of the Russian Army in the Far East"; in addition a staff of special agents had been "commissioned to put the counterfeit \$100 notes in circulation in Poland and Germany."⁵ Though it is difficult to determine the accuracy of all of Dr. Sack's charges, there is little question that besides correctly pinpointing Moscow's role in the affair (although the actual printing was done

5. *New York Times*, Jan. 30, 1930, p. 11.

elsewhere) Dr. Sack had also correctly determined the country for which the forged notes were designated.

Despite the disintegration of the counterfeiting ring and its public exposure in Dr. Sack's courtroom, several large caches of counterfeit \$100 bills continued to turn up during the next several months, in cities as far apart as Mexico City (on March 30) and Teschen on the Polish-Czech frontier (on March 7). It was, however, becoming clear that the circulation of the forged bills was dying down, and as the investigations on both sides of the Atlantic also came slowly to a halt, the United States Secret Service as well as the European banking houses began to think they had seen the last of the counterfeit notes. The High Command of the Soviet Military Intelligence apparatus in Western Europe also hoped that the venture was over, for events were later to reveal that the majority of professional agents knew nothing about it. Aware, perhaps, that his own highly professional European espionage directors would have dissuaded him from embarking on so risky a venture, Stalin circumvented his own professionals to place the entire operation in the hands of the dubiously qualified director of the embryonic American unit, Alfred Tiltin, and his new assistant, Nicholas Dozenberg. Stalin's choice of directors for this venture, however, was no more far-fetched than the motives which led to its inauguration.

Stalin's reason for initiating the massive counterfeiting operation was almost unbelievably naïve. The Soviet Union was poised on the brink of the massive Five-Year Plan, which began on October 1, 1928, and foreign currency (*valuta*) was desperately needed to purchase machinery and equipment from the West. The economic collapse in the "capitalist world" the very next year only spurred Stalin's efforts to increase the productivity of the already operating counterfeit ring, since the decline of the international commodity market, especially wheat, prevented Russia from obtaining the needed foreign currency through her exports. Nearly a decade later the defection of General Walter G. Krivitsky, chief of Soviet Military Intelligence in Western Europe, provided the first authoritative exposé of Stalin's counterfeiting scheme. Krivitsky described the Soviet economic crisis—the climate in which the venture was conceived—by recalling, "A special Valuta Bureau was organized by the Ogpu, and every conceivable method, from trickery to terror, [was] employed to pump foreign currency and other treasures out of the population. [This crisis] reached its climax in the so-called Dollar Inquisition, the systematic extortion from Soviet citizens of relief remittances sent to them by relatives in America. Many of the victims were imprisoned and tortured by the Ogpu until ransom money arrived from abroad."⁶ Stalin's primi-

6. W. G. Krivitsky, *I Was Stalin's Agent* (London, 1939), p. 136.

tive answer to Russia's massive currency shortages was simply to counterfeit the necessary funds, and though Stalin may also have considered that counterfeiting the currency could weaken the stability of the American dollar in the Western world,⁷ the Soviet Union's economic crisis was decidedly the principal motive for the venture.

In retrospect it is difficult to determine whether Stalin hit upon this solution to Russia's grave industrialization problems unaided, or whether it was the discovery of an expert engraver in the midst of the German Communist Party apparatus which may have first suggested the idea to Moscow.⁸ In any case, an unidentified German engraver had been doing routine work in a Comintern passport and document manufacturing plant in Berlin when his expertise was noted by his superiors and he was reassigned to the top-priority task of engraving the necessary plates to produce perfect \$100 Federal Reserve notes. And nearly perfect they were. On February 22, 1930, for instance, the Federal Reserve Bank of New York issued a circular to its member banks which called attention to the tiny discrepancies in the forged notes. So nearly flawless were the notes that the differences were hardly noticeable. The engraving in a vignette on the back of the bill, for example, in which a hand holds a sheaf of arrows, showed one of the fingers out of position. The second minor difference noted by the bank was that the black space between the "1" and first "0" of the "100" in the corner numerals on the face of the note was slightly wider than in the genuine bill. Aside from the engraving, it is generally the quality of the paper which is the most difficult to duplicate in counterfeiting, for often simply the "feel" of the forged bill gives it away. These counterfeits, however, were printed on rag paper absolutely identical to the paper used by the United States Treasury, but it had been duplicated by the GPU in Moscow.⁹ The final problem facing the counterfeiters in Berlin was to learn how the Treasury Department serialized and numbered the bills, a job which was turned over to Nicholas Dozenberg. The former secretary of the American Communist Party, Benjamin Gitlow, recalled, before a September 1939 hearing of the Un-American Activities Committee: "In 1928 Nick Dozenberg was assigned by the Gay-Pay-00 to find out the secrets of the serialization numbers of American currency bills. He once inquired of me whether I knew where such information could be obtained, but I did not know."¹⁰ Finally, the actual printing of the currency, despite Krivitsky's

7. Stalin's General Berzin, in a conversation with Krivitsky, repeated what was evidently Stalin's argument based on the historical precedent of Napoleon's effort to print British banknotes. Krivitsky, *I Was Stalin's Agent*, p. 150.

8. Benjamin Gitlow, *The Whole of Their Lives* (New York, 1948), p. 142.

9. *Ibid.*, pp. 142-43. Krivitsky, however, claimed that "the notes were printed on special stock imported from the United States" (*I Was Stalin's Agent*, p. 137).

10. *Hearings on H. Res. 282*, p. 4684. "He [Dozenberg] appealed to the secretariat

statement that the presses were "in Moscow in the deepest recesses of the OGPU,"¹¹ was done in Berlin. It soon became understood within Comintern circles that "funds not sent by cable, but by secret courier, consisted of currency forged for the Comintern by German craftsmen in Berlin."¹²

In spite of the perfection of the bogus bills, or perhaps because their very perfection spurred the authorities to speedy action, the venture quickly collapsed in the face of the combined German and United States Secret Service investigation. It was at this juncture that professional Soviet agents such as Walter Krivitsky, circumvented by Stalin, were called in to prevent further public exposure of the unsuccessful scheme. Having learned of the counterfeiting ring from the Berlin newspaper headlines, Krivitsky confronted his superior (and Stalin's personal emissary), General Tairov, with an argument against continuing the already bungled scheme. Admittedly unsure that Stalin was personally behind such a crude venture, Krivitsky pointed out the dangers of exposing the entire Soviet intelligence network for the very marginal advantage of circulating a relatively small number of counterfeit notes. General Tairov agreed with Krivitsky's logical argument, but hastened to reassure him, "The Boss is in on it." He further told Krivitsky, "You don't think the boys in the Fourth Department [Military Intelligence] would go in for this kind of thing without the word from Stalin!"¹³ The police seizure of the Sass and Martini Bank, and the sensational newspaper stories which followed, however, convinced Tairov to communicate with Moscow, which finally ordered him to turn the affair over to Krivitsky to be cleaned up.

The professional officers of the Soviet intelligence apparatus were incensed at the amateurishness of the venture, which now threatened to engulf them. Krivitsky later recalled that the head of military intelligence in Austria, one Alexandrovsky, bitterly remarked, "It's that imbecile Alfred [Tiltin] who is responsible for the whole mess. Let him clean it up."¹⁴ Nonetheless, the counterfeiting operation was brought to a halt. Krivitsky remembered, "It took me several weeks to liquidate the affair and have the outstanding counterfeit currency shipped back to Moscow. . . . By mid-June the storm seemed to have blown over. . . ."¹⁵ Later events were to prove, however, that such was not the case.

The bogus bills had ceased to appear, the "wanted" posters on Franz Fischer, now in Siberian exile for his failures in Berlin, were gathering dust,

of the Communist party to help him get the information, promising them that it would be worth a lot of money to the Party" (Gitlow, *The Whole of Their Lives*, pp. 142-43).

11. Krivitsky, *I Was Stalin's Agent*, p. 136.

12. Jan Valtin, *Out of the Night* (New York, 1941), p. 234.

13. Krivitsky, *I Was Stalin's Agent*, pp. 142-43.

14. *Ibid.*, p. 146.

15. *Ibid.*, p. 149.

and the investigations had come to a halt. Nicholas Dozenberg, whose main connection with the counterfeiting venture consisted of securing information about the Treasury Department's serialization system, had since been re-assigned to a new scheme called the American-Rumanian Export Film Company. This dummy corporation, headed by Dozenberg and his wife, was created in 1931 as a rather transparent cover organization for future Soviet espionage in both countries, and as a front for a variety of schemes already in progress. For the venture's second-in-command Dozenberg recruited an idealistic young physician, Dr. Valentine Gregory Burtan, who was to become the sacrificial lamb when the exposure of the espionage group's activities required that a victim be brought to justice. Born in Russia and raised in the United States, Burtan was a graduate of New York's Bellevue Medical College and already a respected young heart specialist when his membership in the anti-Stalin Communist Opposition (the so-called Lovestone Group in the American Communist Party) brought him to Dozenberg's attention.

It soon became evident that one of the major functions of the American-Rumanian Film Company was to act as a source of new funds for the party apparatus by passing large amounts of counterfeit \$100 Federal Reserve notes—bills originally printed in Berlin in 1928. It appears that Soviet authorities had no hand in this second phase of the counterfeiting scheme, now a purely "American" venture under Dozenberg's direction, and were themselves startled by the revival of what they believed was a "dead issue." The notes, identical to the original counterfeits, were clearly part of a large cache which must have been smuggled out of Berlin in 1928, although the circumstances surrounding their removal are unknown. One can only surmise that the notes were smuggled into Mexico, perhaps by a greedy member of the Berlin ring, or more likely by one of the German or American Communist officials involved in the venture, who saw the potential value of the bills for some later scheme. With the start of the new "American" phase of the counterfeit operation, however, a mysterious new character, one "Count" Dechow von Buelow, entered the tiny leadership clique of Dozenberg and Burtan.

No two memoirs of the participants agree on Buelow's part in the venture, the date or place of his appearance on the scene, his relationship with the New York physician, or even for that matter his correct identity. Accounts vary from those which indicate that "Burtan had among his patients a certain non-Communist German, E. Dachow von Bülow," upon whom the doctor "had a certain hold,"¹⁶ to those which recall the casual introduction of the German to Burtan in a New York speakeasy.¹⁷ He is described, alternately,

16. Ronald Seth, *K.G.B.: The Story of Soviet Espionage* (New Delhi, n.d.), p. 75.

17. Gitlow, *The Whole of Their Lives*, p. 140.

as a genuine "German Count," and as a common criminal, "one Hans Dechow, who had a police record in Chicago."¹⁸ All accounts, including Burtan's 1949 testimony,¹⁹ agree that Buelow's history of adventurous escapades in pursuit of large amounts of money transcended political beliefs, and that, if anything, the German might indeed have been a Nazi sympathizer. There is no way to determine if Burtan was attracted by Buelow's flamboyant, and seemingly authentic, accounts of his current South American gunrunning enterprise. Was the potential usefulness of such a man in the distribution of counterfeit bills obvious to Burtan, or had the "count" in fact created an attractive past history after learning that "the doctor had connections and that a deal could be made with an important power by which fabulous sums of money could be made"?²⁰

Regardless of the circumstances of their meeting, however, Burtan's superiors in the party put the German "count" to the test with a variety of small deals involving the usually difficult procurement of tear gas bombs, stink bombs, and potent chemical bombs for use in strikes and internal union struggles. His successes encouraged the party to consider using the German to help purchase larger amounts of military hardware, particularly small arms and ammunition, from American manufacturers. The deals were to be negotiated through the offices of AMTORG, the Russian Trading Corporation, which had headquarters in New York. Despite the eventual collapse of the arms purchases, due to unavoidable governmental technicalities, the party swept aside previous reservations and decided that Buelow was the right man to direct the distribution of a large number of counterfeit \$100 bills.

The operation began during a meeting with Buelow one evening in mid-1932, when Dr. Burtan produced samples of the notes from his wallet and asked the German if he had sufficient contacts to pass large amounts of similar bogus bills. Buelow was elated with the near-perfect quality of the bills and unhesitatingly guaranteed the cooperation of a previously undisclosed contact and supposed personal friend, the minister of finance of Guatemala. If suitably compensated, the German claimed, his friend, the minister, would "put these bills into the government vault and give us others in return." Furthermore, the risks would be minimal, since "no one ever looks into those vaults anyhow. . . . It'll be years before anyone finds out."²¹ Buelow was enthusiastically given the go-ahead, and although Guatemala City remained strangely quiet and apparently uninterested in his proposals, he seemed undaunted. The

18. *Ibid.*, and Krivitsky, *I Was Stalin's Agent*, p. 152.

19. U.S. Congress, House, Committee on Un-American Activities, *Hearings Regarding Communist Espionage*, 81st Cong., 1st and 2nd sess., 1949 and 1950, vol. 2, p. 3558.

20. Gitlow, *The Whole of Their Lives*, p. 140.

21. Jacob Spolansky, *The Communist Trail in America* (New York, 1951), p. 168.

German now recalled yet another contact through whom the counterfeit money might be passed, a Chicago private detective named "Smiley," whose contacts included a large number of Chicago underworld figures. Despite Dr. Burtan's later insistence that he had no knowledge of Buelow's Chicago scheme²² (a dubious claim in light of his closeness to Dozenberg and the close interaction of the relatively few participants in the venture), the plan was nonetheless put into operation. "Smiley" turned over \$100,000 in counterfeit Federal Reserve \$100 notes to eight members of the notorious Arnold Rothstein gang, who were given 30 percent of the receipts as their commission, and the counterfeit-passing spree was on.

The month of December 1932 was ideal for the inauguration of a wholesale exchange of the bogus notes, for although the Treasury Department had for several years discontinued the issuance of the old-fashioned large notes, the chaos associated with the Christmas shopping season made the passage of the counterfeits nearly foolproof. The ring got off to a good start, and by December 23 the Continental Illinois National Bank and Trust Company, the Harris Trust and Savings Bank, and the Northern Trust Company had forwarded more than \$25,000 in worthless bills to the Federal Reserve Bank of Chicago. The chief of the Secret Service in Chicago, Captain Thomas M. Callaghan, was called in to examine the notes. After declaring them identical to the ones that had flooded Berlin and the European capitals in 1928 and 1929, he initiated a full-scale bank alert in the Chicago Loop area, which led to the first arrest the very next morning. On December 24 a man by the name of Frank A. W. Johnson entered the First National Bank of Chicago and tried to exchange one hundred older-style \$100 bills for ten new \$1,000 bills, a strange and slightly suspicious request, considering the limited use for bills of such a large denomination. The bill-passers were so overconfident, because of the exceptional quality of the forgeries, that one marvels at their ability to remain at large as long as they did. Finally, however, on this last day of the Christmas shopping season, confidence had reached the point that "the gangster . . . halted the teller as he was counting the change by asking:

"Hey, bud, d'ya think da bill's okay?"

"Sure," replied the teller, examining the hundred-dollar bill again, "but please wait a while, I'll make sure."²³

A moment later, after the bills were indeed identified as counterfeit, the man was arrested on the spot by government agents.

²² *Hearings Regarding Communist Espionage*, p. 3558. It is interesting that Burtan insisted on his innocence in this small matter while confessing freely to his participation in far more important espionage activities.

²³ Gitlow, *The Whole of Their Lives*, p. 139.

This arrest quickly led police to the underworld syndicate, whose members, interestingly, appeared outraged at having been “swindled” and “duped.” They claimed that “they [had] accepted the money . . . on the representation that it was the property of New York bootleggers who were afraid to pass it on in fear of income tax investigation.”²⁴ As a symbol of their good faith, and in return for the government’s promise of immunity from prosecution, the gangsters surrendered the remaining \$40,000 of counterfeit money still in their possession, and offered to cooperate with the Federal agents. With the authorities rapidly closing in on the remaining members of the ring, Buelow hurried to New York to report the sudden turn of events to Dr. Burtan. It is at this juncture that accounts of the subsequent events diverge. Yet despite the various reports picturing the German “count” alternately as a helpless go-between trapped between his outraged underworld contacts and a ruthless GPU agent in New York²⁵ and as a co-conspirator whose motives were financial rather than political,²⁶ both Burtan and Buelow now found themselves on the run from the law. They bolted for Montreal, where for several panic-stricken days they remained in the Mount Royal Hotel planning their next move. It was eventually decided that since Buelow was the only link between the Chicago gangsters and Burtan and the Communist Party, the German would immediately leave for Europe, where he could disappear until the crisis passed, and Burtan would return to New York before he was missed at Midtown Hospital.

Yet in a moment of extreme naïveté or perhaps in a sudden attack of public spirit, Buelow, who did not know that he was under strict surveillance by the Royal Mounted Police in Montreal,²⁷ cast in his lot with the American authorities and on January 3, 1933, boarded a plane for Newark, New Jersey. Secret Service agents, alerted to his return by Canadian authorities, were waiting at the Newark airport. Having no idea what the fugitive “count” looked like, they simply “waited until all the passengers had alighted from the plane; then one of them shouted in a loud voice, ‘Hey, Von Brelow’ (Dechow’s alias). Only one passenger turned in response to the call. The agents took him to New York.”²⁸ He was carrying \$30,000 in counterfeit notes. Showing little of the proverbial “honor among thieves,” Buelow (alias Dechow, Brelow) volunteered to be a government witness, and within twenty-four hours, on January 4, Dr. Valentine Gregory Burtan was arrested in New York. The chief of Soviet intelligence in Western Europe, Walter Kri-

24. *New York Times*, Jan. 5, 1933, p. 11.

25. Krivitsky, *I Was Stalin’s Agent*, pp. 154–55.

26. *Hearings Regarding Communist Espionage*, p. 3558.

27. *New York Times*, Jan. 5, 1933, p. 11.

28. Lynn Glaser, *Counterfeiting in America* (New York, 1968), p. 244; also see the *New York Times*, Jan. 5, 1933, p. 11.

vitsky, later recalled, "The news burst like a bombshell in New York and Chicago in January 1933, and its reverberations were heard in Moscow, where I happened to be at the time, and caused some uneasiness in the Kremlin."²⁹

Moscow was enraged at the sudden publicity, especially since it came at the very time that Russia was courting the United States in the hope of diplomatic recognition. As it turned out, the investigation of the counterfeit ring, despite Buelow's testimony, came to a halt with Burtan's absolute silence. He refused to reveal the source of the counterfeit bills and made absolutely no reference to either Nicholas Dozenberg or Alfred Tiltin, and during the year leading to his conviction on May 4, 1934, federal agents could do little more than ferret out Burtan's various aliases (Bourstin, Kuhn, George Smith, E. Bail, Frank Bill, and Edward Kean) and speculate on his connections with Soviet military intelligence.³⁰ Following a vigorous prosecution by Dwight H. Green, United States attorney and future governor of Illinois, Valentine Burtan was convicted by a federal jury in Chicago of possession and passage of counterfeit money, and in addition to a fine of \$5,000 he was sentenced to fifteen years in the Northeastern Federal Penitentiary at Lewisburg, Pennsylvania.³¹

Almost immediately after Burtan's arrest in January 1933 both Nicholas Dozenberg and Alfred Tiltin left the United States for Moscow. Both appear to have been in official disfavor with the Kremlin for their part in the bungled scheme, and Krivitsky recalled that Dozenberg encountered a great deal of difficulty in obtaining any of the privileges usually available to foreigners. The failure of the counterfeiting scheme became the object of charges and countercharges as each participant sought to blame the other. In the end it became the platform from which a relatively unknown but ambitious young Soviet agent, Valentine Markin, would soon make a daring and successful bid for the directorship of future espionage activities in the United States. Dozenberg's testimony before the House Committee on Un-American Activities, some years later, suggests that he had no part in the operation, blaming the entire affair, and its failure, on General Krivitsky.³² Burtan, on the other hand, later testified that the responsibility was Dozenberg's. He stated, "Dozenberg had been passing that money all over the world, and he

29. Krivitsky, *I Was Stalin's Agent*, p. 152.

30. Burtan reportedly was offered complete immunity by the FBI if he would reveal his immediate superior in the counterfeit ring's chain of command. The idealistic physician refused.

31. U.S. District Court, Northern District of Illinois, Eastern Division, Criminal File no. 26672: *The United States v. Valentine G. Burtan*. The author acknowledges, with thanks, the aid of John Stibich of the Chicago Police Department.

32. *Hearings on H. Res. 282*, 3rd sess., 1940, vol. 2, pp. 620-24.

proposed to me that I should help him in getting this money converted in large blocks."³³ Benjamin Gitlow merely said that Burtan and a German ex-officer worked together, after the preliminaries had been completed by Dozenberg.³⁴

Stalin's counterfeiting venture, to secure *valuta* for the forced industrialization of the Soviet Union, ended as quickly as it had begun. Nearly everyone involved (except Burtan, who was the only participant to be convicted by the American government) breathed a sigh of relief at seeing the repeatedly mismanaged venture come to a close. Krivitsky recalled that by 1936 Alfred Tiltin was again working as a foreign agent, and although Dozenberg would later be arrested in the United States for the minor charge of passport violation,³⁵ he also survived the Stalin purges of the late thirties. Despite the several years of investigation by various authorities and the exposure to public opinion by often sensational newspaper accounts, the embryonic Soviet Military Intelligence network in the West easily survived the venture. Finding itself relatively unrestricted after Washington's resumption of diplomatic relations with Moscow on November 17, 1933, the Soviet espionage network enthusiastically, if not melodramatically, cast about for its next adventure.

33. *Hearings Regarding Communist Espionage*, p. 3557.

34. *Hearings on H. Res. 282*, 1st sess., pp. 4683-85.

35. Dozenberg was sentenced, ironically, to a year and a day in Lewisburg prison—from which Burtan had only recently been released after serving three years of his fifteen-year sentence.