

August 27, 2012

## Israel and the Evangelicals

*N.B. Two notes—first, due to the holiday, the next report will be published September 10<sup>th</sup>. Second, Mark Keller, the CEO and CIO of Confluence, is joining me this week in co-writing this report. He brings his background in Protestant theology to bear on the issue of Israel.*

On several occasions, we have noted that Israel enjoys significant leverage over U.S. policy into the November elections. Often, it is assumed that this leverage comes from the influence of American Jews on the political system. Although not unimportant, the numbers, as discussed below, suggest that the Jewish vote is barely significant in only two states, New York and Florida. Even in these two states, capturing all the Jewish voters would not guarantee winning these states. The influence of money in American political life is important, but here again, other influencers are probably more important. Given the historical prevalence of anti-Semitism, it is quite probable that Jewish influence is overstated.

The state of Israel tends to be viewed favorably by most Americans. Outside of the far left, who tend to view Israel as the oppressor of Palestinians, or the far right, who tend toward anti-Semitism, Americans tend to hold a strongly favorable admiration for Israel. Consequently, American politicians running for national or statewide offices are rarely critical of Israel and its policies.

As we examined this issue, it became apparent that this affinity goes well beyond the secular. A segment of American non-Jewish voters holds Israel in such high

regard that any politician critical of Israel runs the risk of losing elections. Simply put, this power appears to go well beyond the influence of the vaunted “Jewish lobby.” The voting process does not take into account the intensity of feeling; even a strongly committed Jewish electorate wouldn’t swing elections. Instead, the powerful influence of Israel on the American political process must, by default, come from Christians.

In this report, we will offer an overview of the denominational demographics of the U.S. and discuss a broad synopsis of Protestant theology. From there, we will move toward the critical issue of *eschatology*, the theology of the culmination of humankind. An analysis of the political and geopolitical impact of these theological issues will follow. As always, we will conclude with potential market ramifications.

### **An Overview**

Outside of its own borders, Israel really has no greater base of support than it has in the United States. This support, not confined to the government in Washington, draws its strength from the massive moral support it receives from U.S. citizens. In a Gallup poll<sup>1</sup> conducted in February 2012, Americans were asked which of 20 foreign countries they viewed favorably; Israel scored highly at 71%. The seven other

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<sup>1</sup> *Recent Trend in Americans’ Favorability Toward Countries*, Gallup Inc., February 2-5, 2012.

Middle Eastern/North African countries on the list scored much lower, from Egypt at 47% to Iran at 10% (the lowest of all 20 countries). The Palestinian Authority garnered a rating of 19%.

The basis for this support has usually been attributed to the U.S. public's strong affinity for a nation that reminds them of their country, a democratic state with a strong capitalist economy, yet situated in the midst of totalitarian regimes with state-controlled economies. The establishment and progress of the state of Israel, founded against all odds in the wake of the Holocaust, is a story which most Americans find inspiring. Yet, there is no doubt that there is a religious component to Israel's appeal to Americans, even though the Jewish religion comprises just 1.7% of the U.S. population. That religious component, of course, is due to substantial support from American Christians. Christians, needless to say, have not generally supported the Jewish people through the ages. Yet the substantial support from religious people that Israel enjoys in the U.S. is largely due to the influence of *evangelicals*. Evangelical Protestants are especially supportive of Israel, with many standing behind the nation of Israel in virtually every policy it pursues. This religious affinity has proven difficult for many to understand, yet it is grounded in evangelical theology and thus is not likely to change.

Who are the evangelicals? According to The Pew Forum on Religion & Public Life,<sup>2</sup> they are the largest single religious tradition in America at 26.3% of the U.S. adult population. For reference, the next two largest religious groups are Catholics at 23.9% and mainline Protestants at 18.1% of

<sup>2</sup> *U.S. Religion Landscape Survey, Religious Affiliation: Diverse and Dynamic*, The Pew Forum on Religion & Public Life, February 2008.

the population. The evangelical tradition spans across the denominations and other categories of Christians. For example, there are evangelical Baptists (mostly Southern Baptists) and mainline Baptists. There are evangelical Presbyterians, Lutherans, and Episcopalians, as well as mainline Presbyterians, Lutherans, and Episcopalians. While the evangelical and mainline traditions have generally formed separate denominations, this is not always so.

Most differences between evangelical Protestants and mainline Protestants hinge on differences in their views on the Bible. Without wading too deeply into the theological debate, most evangelicals believe that the Bible is not only the Word of God, but that it is historically accurate and without error in everything that it says. They also believe that what the Bible teaches is not only relevant, but normative, for today. Mainline Protestant theology tends to be less dogmatic on the subject of Scripture, allowing for the possibility of errors and wrong statements, especially outside of the realm of faith and practice. They also are more likely to deemphasize certain biblical teachings as inappropriate for the modern Christian.<sup>3</sup> While there are other differences between the two traditions, this is the key one for our study, because it bears on the authority of Scripture. If the Bible is completely accurate and trustworthy as the Word of God in everything it says, it is therefore completely authoritative. This is the ingredient of evangelical theology that impacts their view of modern-day Israel.

In comparison, the Catholic position on Scripture is that while it is the Word of God,

<sup>3</sup> While there are evangelical Protestants who hold a "weaker" view of Scripture and mainline Protestants who hold a "stronger" view of Scripture than described here, this distinction generally holds between the two traditions.

its meaning is expressed through the Magisterium, which is the teaching authority of the Catholic Church. Essentially, the clerical hierarchy, working with theologians, decides what Scripture means. One of the key disputes during the Reformation was the question of who has the authority to interpret Scripture. Catholics hold that its hierarchy has that role; Protestants hold that all believers are granted that right.

Since evangelicals have such great confidence in the historicity and reliability of Scripture, the prominent place that the Jewish people, the nation of Israel, holds in Scripture is likewise very important to them. All evangelicals place a great deal of emphasis on studying the history of the Jewish people from Abraham to Jesus, because that's their spiritual history, too! The lessons and life stories of the Jewish people are regularly taught. Whether or not this interest in the ancient nation of Israel carries over to an affinity for the modern state of Israel depends upon their understanding of Israel as *God's chosen people*.

Most Christian theologies, be they Protestant or Catholic, view the Church<sup>4</sup> as the spiritual successor to Israel as God's chosen people. This view says that the true "sons of Abraham" are not his physical progeny, but his spiritual descendants, i.e., those who follow God by faith as Abraham did. The Jewish people, while revered as the survivors of many hardships, are not viewed any longer as the children of God under this theology, because they rejected the Messiah sent to them (Jesus). While Jews may

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<sup>4</sup> We use the word *Church* with a capital "C" to denote the church universal, that is, all Christians and not any single denomination. We realize that many Christian denominations do not recognize other Christians as being part of the "big C" Church. That is a theological debate we will not enter.

certainly follow Jesus and thus rejoin the people of God, their ancient role as the people of God has been replaced by the Church. While many evangelical Protestants have a similar theology regarding the Jewish people, this is *not* the prevalent view in evangelical churches.

### **The Role of Eschatology**

Eschatology is the branch of theology dealing with the end-times. The Bible teaches that Jesus will return to earth at the end of the present age, the so-called Second Coming of Christ. All evangelical and, indeed, most Christian eschatologies teach that Christ will return; what he does upon his return is a matter of disagreement among Christians. The Old Testament teaches that the Messiah will come and establish his rule over the whole world, with his capital at Jerusalem. This is a time in which the orthodox Jews believe God will fulfill all his promises to them as recorded in the Scriptures, promises made to Abraham, Moses, David, and the faithful via the prophets. The New Testament, especially the book of Revelation, appears to teach the same thing, namely, that Jesus (whom Christians believe is the Messiah) will return to earth at the end of the present age and establish a worldwide kingdom that will last 1,000 years.<sup>5</sup> Theologians call that time the millennial kingdom or, more simply, the Millennium.

As noted above, most Christian churches don't believe that the Jews will play any meaningful role in God's plan for the end-times. In fact, they don't believe there will be an actual millennial kingdom on earth in the future, and that references to it in the Bible are symbolic and refer to the spiritual reign of Christ in the hearts of Christians. They do believe, however, that Christ will one day return to usher in an entirely new

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<sup>5</sup> Revelation 20:1-6

age and that this world will be replaced by a new heaven and a new earth. This position is the *amillennial* position, that is, a no-millennium eschatology. While most Catholics, mainline Protestants, and some evangelical Protestants hold the amillennial viewpoint, the majority of evangelicals do not. The majority of evangelicals are *premillennials*, that is, they believe that there *is* a millennial kingdom coming and that we are living in the time prior to that age.<sup>6</sup>

Premillennial evangelicals believe that Jesus will return to earth at the end of this present age and establish a 1,000 year worldwide kingdom which he will rule from Jerusalem. (After the Millennium, they believe this world will be replaced by a new heaven and new earth.) For the purposes of our discussion, what is most important about this position is that it holds that, during the Millennium, God's promises to the Jewish nation will be fulfilled. Premillennial evangelicals and many orthodox Jews are actually in agreement on this point, even though they disagree on the identity of the Messiah. These evangelicals believe that God's promises to Israel are still good, just deferred, and that the world is marching toward their fulfillment.

This view that all of God's promises to Israel will be fulfilled in the Millennium is characteristic of the *dispensational* school of premillennial theology. We will not delve further into the various schools of premillennial thought, except to note that while dispensationalism has never been popular in most seminaries, it has been extremely popular in evangelical churches for well over 100 years. Much of the credit

for this popularity is due to the influence of C.I. Scofield, who produced his heavily annotated Scofield Reference Bible (1909) that became, literally, *the Bible* for 20<sup>th</sup> century evangelicals. Most of the popular books and movies about the end-times of the last half-century are based on dispensational premillennial theology, from Hal Lindsey's *The Late Great Planet Earth* (1970) to Tim LaHaye's and Jerry Jenkins' *Left Behind* series (1995 to present).

In dispensational premillennial eschatology, increases in wars and famines presage the end of this present age, which culminates in a seven-year period of world-wide calamity known as the Tribulation. During this time the world will come under the totalitarian control of a single government that will persecute everyone who dares believe in Jesus. Hence, evangelicals are especially wary of the agents of world-wide authority, be it the United Nations, the European Union, or even the U.S. federal government. (By the way, most dispensational premillennialists believe that the Church will be raptured or secretly removed by God from the world prior to this time of Tribulation.) This period will conclude with the world government rebelling against God and with God's judgment falling upon the world. In addition, the Tribulation will have a focus on the Middle East – Jerusalem, in particular. It is expected that the Jews will return to their homeland and that a remnant will recognize Jesus as their Messiah. Then, at the conclusion of the Tribulation, Jesus will return to the earth with his saints, defeat the evil world government, and establish his millennial kingdom. The Jewish people will then recognize and worship their Messiah, who will sit on the throne of David established at Jerusalem, from which he will rule the world in peace for a millennium.

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<sup>6</sup> The amillennial position is the majority view in Protestant seminaries, even evangelical seminaries. The premillennial position, however, is predominant in evangelical pews.

Thus, given this view of the future, the establishment of the nation of Israel out of the rubble of World War II in 1948 was an occasion of awe and wonder for many evangelicals. They saw this as a vitally important “stepping stone” to the last days. Those early Israeli military victories, followed by the triumphs of the Six Day War and the Yom Kippur War, merely confirmed to most evangelicals that God’s hand was on Israel as surely as he supported Joshua’s conquests 3,500 years earlier. (While many evangelical teachers have cautioned not to confuse the modern state of Israel with the Israel of prophecy, most evangelicals consider the two to be one and the same.)

The more conservative political and military leaders of modern Israel have been folk heroes in evangelical circles for decades. The current PM, Bibi Netanyahu, is more popular among many evangelicals than virtually any U.S. politician. To evangelical premillennials, support for Israel is not a political decision, but a matter of faith.

Are we speaking of a group that is a mere political sliver? An interesting, but meaningless, population in a nation of many religious beliefs? Hardly. As we noted above, evangelicals make up 26.3% of the nation’s adults. Our analysis of The Pew Forum breakdown of that total by denomination reveals that 19.8% of the U.S. adult population consists of evangelical denominations that lean premillennial or tend to be characterized by premillennial theology.

Can this be? Can almost 20% of the electorate be supporters of Israel as a matter of faith? Yes, indeed. In fact, the number may be higher. In July 2006, The Pew Forum conducted a national phone survey of

2,003 adults.<sup>7</sup> Among the questions were these two:

- “Some people believe God gave the land that is now Israel to the Jewish people. Other people do not believe this is literally true. Which comes closer to your view?”  
*42% said they believe Israel was given to the Jewish people by God.*
- “Some people say that the state of Israel is a fulfillment of the biblical prophecy about the second coming of Jesus. Do you believe that this is true or not?”  
*35% said that yes, this is true.*

Those responses make plain, in our view, that premillennial eschatology is not only the preeminent eschatological position among evangelicals, but that it has had an outsized impact on the eschatology of many Christians who are not of the evangelical tradition.

### **Political and Geopolitical Implications**

As discussed above, for premillennialists, Israel isn’t just another country – it is central to what God is doing in history. Thus, any president that slights Israel isn’t seen as a leader simply making a foreign policy decision. Instead, he is potentially putting the U.S.A. on the wrong side of history – on the wrong side of God’s plan. That president would be opposing significant forces and trends that may signal the beginning of “the end of this age.”

What this means is the loyalty that premillennialist voters have toward Israel is visceral and all-encompassing. Calculating the geopolitical value of Israel is both an alien and irrelevant concept. Israel, seen in this context, must be protected at all costs

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<sup>7</sup> Pew Research Center for the People & the Press Survey, The Pew Forum on Religion & Public Life, July 2006.

for what it represents in God's plan for the ages. A U.S. president who undervalues Israel is therefore ignoring what God is doing in the world.

These concepts are also rooted in the evangelical concept of the U.S. Most evangelicals in this country are spiritually descended from the religious refugees who fled Europe for this land in the 17<sup>th</sup> through 19<sup>th</sup> centuries. They viewed (and still view) America as a religious haven, a place where they could order their Christian lives in peace. They established their own local schools (now public) and rested in the knowledge that the nation was founded on Christian principles. They view the nation as "one nation under God," one that has been blessed with peace and prosperity because it has honored God with obedience to his precepts. In their view, this was (and is) a truly Christian nation. The drift of the nation away from Christianity and toward secularism is viewed with great dismay by evangelicals. Any diminished support for Israel on the part of the U.S. government is viewed as consistent with the decay of the nation's Christian roots.

Thus, for this constituency, policies that the U.S. would enter into regarding other countries are inadequate for Israel. For example, the U.S. has offered to put Israel under America's "nuclear umbrella." This move would guarantee that any nation that attacked Israel with nuclear weapons could count on a devastating response. Essentially, the umbrella insures that any nation under its protection has second strike capabilities even if that particular nation doesn't have that capacity. However, in the case of Israel, being under the nuclear umbrella is irrelevant for premillennials, because it implies that the destruction of Israel would be accepted. Instead, for premillennials, if Iran really does represent a

mortal threat, not only should Israel be supported in launching a nuclear first strike, the U.S. should probably participate. For American voters who do not hold to this position, such a nuclear policy would border on madness. Yet to premillennial evangelicals, it is inconceivable that the U.S. would ever countenance a strategy that would allow for the potential destruction of Israel.

Voter data indicates that evangelicals are widely represented across the country. There are higher concentrations across the South and Midwest, with particular weight in Arkansas, Kentucky, Tennessee, and West Virginia. These states are currently leaning toward the GOP anyway, so not supporting Israel probably won't hurt the president in the election. However, the toss-up states of Florida and Virginia, which also have a heavier concentration of evangelicals, could affect the election. In addition, with the Republican ticket not sporting a traditional Protestant, a policy seen as anti-Israel could energize the evangelical base of the GOP and increase turnout and participation.

Despite the president's protests to the contrary, we tend to view his position as ambiguous with regard to Israel. It has been well-documented that his relationship with PM Netanyahu is strained. Although the president clearly supports Israel, there are significant differences between the Obama and Netanyahu administrations on Iran policy. Netanyahu sees Iran as an existential threat; Obama views Iran as a threat, but one that is best managed by sanctions and deterrence. Netanyahu views the U.S. position as risky and would prefer military action to ensure that Iran does not develop nuclear weapons. The U.S. would prefer that Iran remains a non-nuclear state, but isn't likely willing to use military action to

prevent it unless forced by circumstances. It should be noted that Zbigniew Brzezinski, President Carter's National Security Advisor and leading Democratic Party foreign policy "godfather," publically stated in September 2009 that President Obama should shoot down any Israeli warplanes that were en route to attack Iran. Brzezinski's comments indicate how unaware the center-left is about the political ramifications of mistreating Israel.

We assume that the Israeli leadership is aware of the religious dynamic at play in the U.S. This is why we believe that Israel enjoys substantial leverage over U.S. policy going into the presidential elections. However, this leverage will decline substantially after the elections regardless of who wins.

No American president wants to be forced into a position by an ally. Losing freedom of action is dangerous for a superpower because it has other obligations. For example, Israel is clearly (and reasonably) obsessed with Iran, whereas the U.S. also has to be concerned with the global economy (which might be at risk from rising oil prices due to a Middle East war), an increasingly belligerent Russia (which benefits from rising oil prices), and a frustrated China and Japan (which are dependent on Middle East oil). For President Obama, war with Iran has few positives. For Israel, which has successfully prevented every other neighbor from acquiring nuclear weapons, Iran has become a singular focus.

If Israel is going to unilaterally attack Iran, the U.S. will likely become involved. A sophisticated Iranian response to an Israeli airstrike would be an offer to refrain from closing the Strait of Hormuz if the U.S. breaks all diplomatic relations with Israel.

Since ending relations would be impossible, Iran will have clearly shown that Israel is perhaps the most important nation to the U.S. If Iran has hardened its nuclear sites to the point where Israel can't damage them without nuclear weapons, it should welcome an Israeli attack.

This scenario is clearly a nightmare for President Obama. That is why he is on the record suggesting that he can better deal with Iran after November's elections. Once the election is over, he can safely prevent Israel from attacking Iran. The political ramifications may hurt his party, but second-term presidents tend to have less regard for their parties compared to their historical legacies.

And so, for PM Netanyahu, the implications are obvious. It is better to act before November than after.

### **Ramifications**

The market ramifications are rather simple. Holding positions in oil exchange-traded products going into the elections offers portfolios some protection in case a conflict develops in the Middle East. Once the election is held, the likelihood of military action will diminish. We would expect the dollar and Treasuries to perform well as they are considered "flight to safety" assets. On the other hand, gold has traditionally disappointed investors in these sorts of events; we believe that this is because the uncertainty caused by war leads to the desire for liquidity. Gold is primarily a store of value asset; it is preferred during periods of low or negative real interest rates, but it does not offer an investor the liquidity which is preferred in most geopolitical crises.

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*This report was prepared by Bill O'Grady and Mark Keller of Confluence Investment Management LLC and reflects the current opinions of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.*

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