

# Supply Side Theory

*Draft Version*

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Supply side theory assumes that the supply of religion explains religious change better than religious demand. Theories of religion originally focussed on the demand for religion (e.g. preferences of religious consumers) whereas supply side theory proposes to look at the suppliers of religion (e.g. churches) and the market conditions for the religious supply. This theory has become one of the most prominent frameworks in sociology of religion for explaining religious vitality and transformation processes in different countries. It is part of the broader rational choice theory of religion, often also described as market theory or economic theory of religion. Pioneering proponents are William Sims Bainbridge, Roger Finke, Laurence R. Iannaccone, and Rodney Stark. Rational choice theory offers a general sociological theory of religion by drawing upon theoretical assumptions from mainstream economics (e.g. homo economicus, market mechanisms). The theory involves three levels: micro-, meso-, and macro-level. Supply side theory focuses in particular on the macro-level, as it refers to the market dynamics of religion. The following paragraphs summarize supply side theory and describe its potentials as well as some of the criticisms that it faces.

Supply side theory explains the differences in religious vitality (e.g. participation in religious services) between countries by employing a religious market approach. Religious markets – also referred to as religious economies – consist of a demand and a supply side. The supply side comprises organizations that offer religion (e.g. evangelical churches, Buddhist groups). The demand side entails current and potential consumers of religion. Consumers have different preferences regarding the practice of religion. Only a diversified supply allows for matching different preferences on the demand side. If the supply matches the diverse preferences on the demand side, consumers will find adequate religious offers for their needs and the overall religious vitality in the religious market will be high. However, if the supply ignores many of the preferences on the demand side, potential religious consumers do not see how they can satisfy their religious needs and will abstain from consuming religion. In this case, the religious vitality in the given religious market will be comparatively low.

Supply side theory supposes that the demand for religion is stable. In the course of human history, there has been very little variation in the religious preferences and the general demand for religion. As such, there is a constant demand for religion. Nevertheless, national religious markets differ in their levels of religious vitality: for instance, levels of participation in religious services are higher in the United States than in most Western European countries. Moreover, in these countries, participation in religious services has declined over time. Supply side theory explains such variations by referring to the supply of religion. While demand is stable, the supply of religion is variable and can explain different levels of religious vitality. The higher the diversity in the supply of religion, the better it can serve the constant demand for religion. Nevertheless, the diversity in religious supply differs among national religious markets and can change over time in each of these markets.

A central factor in shaping the diversity of religious supply is state regulation. Supply side theory distinguishes between unregulated and regulated religious markets. In regulated markets, the state intervenes in religious affairs by advantaging some religious suppliers and disadvantaging others. Advantages that states give to particular religious suppliers consist, for instance, of financial subsidies, formal recognition as state religion, the permission to collect religious taxes, or the teaching of religious doctrines in public schools. This intervention leads to one (or several) dominant, state supported supplier(s). However, as these suppliers have a relatively secure, state-protected market position, they have no need to struggle for appealing to religious consumers. Demand will have little impact on the type of religion that these suppliers offer and supply tends to mismatch preferences on the demand side. In total, regulation reduces the diversity of supply and market competition, thereby leading to low levels of religious vitality. By contrast, in deregulated religious markets, the state abstains from intervening in the market. Competition between religious suppliers can flourish. A great diversity of religious supply matches religious demand and leads to high levels of religious vitality. Prominent examples for the two market types are Western Europe and the USA.

Western European states tend to regulate their religious markets by favouring particular religious suppliers. For instance, in the predominantly protestant countries of Western Europe, there are national churches financed through taxes collected by the state. As the clergy of these churches are civil servants in secure economic positions, they do not benefit from additional religious consumers and will not be enthusiastic about attracting vast number of followers, according to supply side theory. At the same time, regulation involves market barriers for other religious suppliers. For instance, states warn against specific religious suppliers, place them under government surveillance, or do not grant building licenses to them. The state interventions reduce competition and produce low levels of religious vitality in Western Europe. Proponents of supply side theory argue that scholars have wrongly interpreted the low levels of religious vitality in Western Europe as indicators of a general secularization process. However, instead of secularization, market regulation would cause low levels of religious vitality. Only deregulation would allow for increasing the vitality. The USA contrast the example of Western Europe. Here, the state does not intervene in the religious market. Against the backdrop of religious deregulation, an extensive diversity of religious suppliers offering different types of religion has developed in the US market. This diversity allows for serving diverse consumer needs and leads to high levels of religious vitality.

Supply side theory offers an attractive framework for explaining religious vitality. While most theories tend to stress demand, the theory draws attention to the supply of religion and market regulation as crucial factors determining the overall level of religious activity in a country. At the same time, it suggests an alternative to secularization theory that has long dominated sociology. By highlighting the market dynamics of religion, it rejects the idea of a general modernization pathway that involves the decline of religion. The model is particularly fitting for the USA, a country with high diversity in supply and strong competition.

Nevertheless, supply side theory has also been subject to extensive criticism among scholars of religion. One prominent criticism comes from Steve Bruce who regards supply side theory as inappropriate for the European context. He analyses the Scandinavian countries of Denmark, Finland, Norway, and Sweden, all of which have experienced religious deregulation processes. Despite deregulation, there is an ongoing decline in religious participation. Moreover, the supply side model does not enable for explaining differences between the four countries. Finland shows a higher vitality than the other countries, but does not differ from the other three countries regarding its regulation and supply. The differences in religious vitality are, according to Bruce, related to the individual historical developments of each the countries. Finland was under Russian rule until 1917. Given the foreign occupation, religion (in particular, Lutheranism) became a question of national integrity. Moreover, Finland experienced a comparatively late modernization process, leading to later secularization. Bruce claims that the development of religion in a given country cannot be explained without taking the country's history and national identity struggles into account. Other criticisms point to the strong religious vitality in countries with low diversity and competition such as Ireland und Poland and suggest that religious diversity and competition have negative rather than positive effects on religious vitality. Moreover, by neglecting the demand side, supply side ignores a crucial variable for explaining differences in religious vitality. Another problem of supply side theory is that it does not sufficiently take alternative forms of religion into account. Although rational choice theory proposes a wide definition of religion, proponents of supply side theory usually measure religious vitality through participation in religious services (e.g. Sunday church services). However, consumers may participate in alternative types of religion that do not offer traditional religious services. In particular, for Western European countries in which alternative forms of religion are arguably on the rise, focussing on traditional religious suppliers and measuring vitality via participation in religious services obstructs the view on the ongoing competition and vitality.

## Further Readings

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