# Finland: The Rise and Fall of a Democratic Subsidy Scheme

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## 12.1 Introduction: Changes in the Media Landscape

In recent decades the Finnish media landscape has undergone fundamental changes. As a result of digital convergence and the fragmentation of the advertising market, news journalism has increasingly been treated as one commodity product among others. The ideals of democratic public interest and social values traditionally associated with news journalism have lost ground to market values. The business of journalism is thus at a crossroads: The traditional revenue streams of publishing houses are drying up as print circulations are diminishing, and advertisers are searching for alternative marketing channels to newspapers. This development has seen traditional publishing houses resorting to drastic cuts in journalistic resources. Consequently, newspapers are looking for means of scrambling for survival as the convergence of media platforms is challenging the traditional habits of consuming media content.

When it comes to larger-scale societal and policy developments, the ruptures in the spheres of media policies and journalism have been significant. Historically, Finnish mass media and newspapers in particular have been regarded as a fundamental part of a pluralistic democracy. Traditionally, the Finnish media system was characterised by an ethos of social responsibility of media companies among an informed citizenry. This ethos was seen as an ulterior governance motive for an industry of special importance to society (Nieminen and Pantti 2012). By the 1970s, socially oriented communication policy had become a central part of political programmes in the country, including not only significant state subsidy to the

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press but also schemes for comprehensive media policies which were displayed internationally as an exemplary way of arranging this emerging area of social policies (Nordenstreng and Wiio 1979). Since the 1990s, however, this type of Finnish "social \contract" has suffered from increasing legitimacy problems. The Finnish social contract was traditionally based on a corporatist system of negotiations and compromises between the three main actors in society: the government, the employers' union, and the biggest trade unions. Declining electoral participation and increasing distrust in politicians, the rise of populist and racist movements, and increasing tension in the labour market have all negatively impacted on developments in the media themselves. According to opinion polls, the professional status of journalists has been in constant decline and the popular trust in the media has severely diminished since the 1990s (EVA 2011; Kunelius et al. 2010).

Finnish media policy during the past few decades has been influenced by more general European trends of deregulation and marketisation (van Cuilenburg and McQuail 2003; Harcourt 2005; Michalis 2007). These have not only undermined the market position of the printed press but have also meant a considerate axing of public press subsidies. Indeed, Finland has seen a sharp decline in newspaper circulation: a drop of 20 % between 2001 and 2011 (Statistics Finland 2012). As it stands, the issue of press subsidies is—to a growing extent—being addressed within the sphere of economic rationality, rather than as a means of promoting pluralism within the Finnish public sphere. These changes have been reflected in all forms of government-mandated public newspaper subsidies. Finland is currently one of the few countries in Europe—if not the only one—where newspapers enjoy neither direct nor indirect forms of state aid.[1]

In this chapter, we shall first give an overview of general developments in society which have had an effect on media policies and media businesses since the 1990s. Then we shall provide a brief history of allocating newspaper subsidies in Finland, followed by a summary of the state support currently provided to the press. Finally, we shall draw some conclusions and link the issue of press subsidies to wider societal changes that have occurred in Finnish society during the last 20 years.

## 12.2 The Finnish Media System (2000–2012)

The Finnish media system in the 2010s can be characterised by four main features[2]:

- *High level of concentration*: As in many countries with small populations, the media market in Finland is dominated by a few players. In newspaper publishing, the top four companies hold 55 % of the market. One company (*Sanoma Group*) has a strong position: It controls 22 % of the total newspaper circulation

[1] An exception concerns the VAT rate, which from the beginning of 2013 is 10 % for newspapers (the same as books, medicines, tickets to cultural, and sports events) as the general VAT rate is 24 %.

[2] These features are an update from Nieminen (2010). Further information on the current Finnish media landscape (in Finnish language) may be found in Nordenstreng and Wiio (2012).

(2010) and 33 % of the magazine circulation; it owns a television channel (the third biggest in the country, with a 15 % audience share), and the biggest publishing house in Finland (45 % of the market for books), among other things.

- *Established division of markets*: In Finland, there is only one major national newspaper (*Helsingin Sanomat*), holding a circulation of about 366,000 copies in 2011 (Finnish Audit Bureau of Circulations 2012a). Additionally, all leading regional newspapers—about 28 in total—are practically in a monopoly situation in their respective (regional) areas. There is no major market competition except that between the evening papers (i.e. tabloids), where two leading media houses compete head to head, i.e. *Ilta-Sanomat* (143,000 copies in 2011) against *Iltalehti* (102,000 copies in 2011).
- *Sound professional culture*: The media, as national institutions, still enjoy high public trust in Finland. Media professionals are today mostly well educated and they share a basic commitment to common quality standards. The Council for Mass Media in Finland (*Julkisen Sanan Neuvosto* JSN) represents all main interest groups. Its members include representatives from media management and journalists as well as different audience groups. It follows commonly agreed ethical codes.
- *Profitable national media structure*: There is a well-established three-tier newspaper structure between national, regional, and local papers. All these tiers have generally remained reasonably profitable, even in the crisis year 2009 (e.g. the operating profit of the *Sanoma Group* dropped from 11 % in 2008 to 9 % in 2009 and that of the *Keskisuomalainen group* from 20 % in 2008 to 16 % in 2009). Early home delivery of newspapers is available for 90 % of all households (Lehtisaari et al. 2012).

Again, Finland continues to have a fairly rich newspaper supply with a well-established three-tier market structure. For the population of 5.5 million people, there is only one major national newspaper (*Helsingin Sanomat*) with a circulation of about 366,000 copies (in 2011), while all political parties have their national organs published only 1–5 times a week, suggesting a relatively small readership. But the geographically very large country has nearly 30 regional newspapers, each enjoying a monopoly situation in their market areas.

Despite its present relative stability, the media environment in Finland has changed in fundamental ways. Three main challenges have been noted (1) the decline in newspaper readership, (2) a big drop in advertising revenue, and (3) the expansion of broadband Internet connections. In detail, these challenges are as follows:

1. *A (slow) decline in newspaper readership*: Table 12.1 demonstrates that in the 10 years from 2001 to 2011, the total circulation of newspapers fell by about 20 %, and this decline shows no signs of slowing down. The loss in circulation has obviously been detrimental to the finances of the newspapers. In practical terms, income from sales and subscriptions has stayed on the same level for over 10 years, whereas all other costs (printing, distribution, salaries) have steadily increased. For the future, the main problem, however, is the reading habits of the young. Among people over 45 years old, more than 80 % read newspapers daily, and the average time spent reading is 35 min/day. Among those under 24,

**Table 12.1** Circulation of newspapers per thousand inhabitants

| | 2001 | 2008 | 2011 | Change 2001–2011 (%) |
|---|---|---|---|---|
| Dailies (4–7 issues/week) | 445 | 400 | 355 | −20 |
| Non-dailies (1–3 issues/week) | 181 | 177 | 154 | −15 |
| Total | 626 | 577 | 509 | −19 |

*Source*: Statistics Finland (2012)

**Table 12.2** Advertising in newspapers 2008–2012 (million euros)

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Newspapers (total) | 604.5 | 474.2 | 485.6 | 502.6 | 461.6 |

*Source*: Finnish Association of Marketing Communication Agencies (2010) and Association of Finnish Advertisers (2011, 2013)

only 56 % read newspapers daily and the average time is <15 min/day (Finnish Audit Bureau of Circulations 2012b).

2. *A drop in advertising*: The weakening of the newspapers' economic basis hits journalism hardest. Table 12.2 shows that compared to 2008, newspapers lost 22 % of their advertising revenue in 2009. This only adds to a longer decline in newspapers' advertising revenues: From 2000 to 2009 the total drop was 38 %. The advertorial revenues have regained the levels of 2008.
3. *An expansion of broadband Internet connections*: As elsewhere in Europe, broadband Internet has expanded rapidly in Finland. According to the Eurostat statistics, in 2012, it was estimated that 84 % of all households had a broadband Internet connection (Eurostat 2012). However, although the government has actively promoted the large-scale deployment of ICTs in both public and private sectors, the expansion of high-speed connections has not been as fast and successful as hoped. In several reports on the "Information Society" Finland is still lagging behind its Nordic neighbours (e.g. EVA 2009; ITU 2012). One of the main reasons appears to have been the trust in the ability of market forces to bring about all the benefits associated with the Information Society, without public sector involvement. Even industry think tanks like the *Finnish Business and Policy Forum* (EVA) argue that this strategy has failed and call for stronger governmental intervention (EVA 2009).

### 12.2.1 Latest Responses of News Media and Policymakers

As newspapers have been experiencing some of the above-mentioned challenges for a longer period, the responses of news organisations have included both long-term strategic and more immediate tactical organisational and content-based reactions. The most obvious of these are the following:

- *Tension between the newspaper industry and the Finnish Broadcasting Company* YLE: As a reaction to the drop in advertising revenue, both print media and private commercial television companies have increasingly levelled their

criticism at the public *Finnish Broadcasting Company*, YLE. From their point of view, YLE could benefit from their problems and thus consolidate its market position at their cost. Critical claims has have also included that YLE provides content that would be commercially viable (like HBO programmes), thereby distorting the market. Partly as a reaction to the pressure of commercial broadcasters, the Finnish government in 2008 appointed a parliamentary committee to reconsider YLE's public service provision and its financing. Following the unanimous recommendations of the committee, and strongly against the wishes of the industry, a new funding model for YLE was adopted by Parliament, according to which the old licence fee was replaced from 1 January 2013 by a special YLE tax, collected in connection with general taxation.

- *Charging for online content*: Several Finnish newspapers have announced that they will start to charge for their online content. Most newspapers have already streamlined down their online news output. *Keskisuomalainen*, an influential regional daily newspaper in central Finland, was the first to announce that from 1 January 2011 it would start charging for its online version. Several other newspapers immediately followed suit. The biggest paper, *Helsingin Sanomat*, set up an online pay-wall in autumn 2012.
- *Cutting editorial costs*: Despite the absence of an imminent crisis, the reactions of most newspaper publishers to the decline in income have been quite drastic. Most publishers responded with cuts in editorial costs. For example, *Turun Sanomat* (the second biggest regional daily) reduced its journalistic staff by 1/3 in 2009. Instead of employing permanent staff, journalists were put on on-demand contracts. Another method has been to terminate old freelance contracts and to sign up new, cheaper but also less experienced contributors.
- *Promotion of broadband Internet*: As a part of the "Information Society Strategy", the government is actively promoting the construction of a national high-speed broadband network. According to the "Broadband for all 2015" project, by the end of 2015, over 99 % of the Finnish population shall be connected with an optic fibre network not more than 2 km away from their locality (Finnish Ministry of Transport and Communications 2013). The motives behind this initiative are mixed. On the one hand, broadband offers the ailing newspaper industry new potential for developing their online news services based on novel cross-media applications. On the other hand, broadband opens a way for the television industry to transfer television broadcasting to the Internet (IPTV), an effort which should reduce costs and create new business opportunities. Additionally, as television is expected to move to the Internet, more radio frequencies will be released for new and more profitable services.

The Finnish media have traditionally enjoyed the status of national institutions, supporting and supported by the consensual social contract. From the late 1980s, this situation started to change, and more controversial social and political relations began to replace this consensus. Since the late 1980s, the Finnish media and communication policy has—as in most European countries—steadily moved from the national–democratic line towards EU-led competition policy paradigms, a move that was seemingly more favourable to commercial actors.

## 12.3 Subsidies to the Press: A History

The Finnish history regarding press subsidies began in the 1960s, when many newspapers had run into economic difficulties and some had to close down, a phenomenon which gave rise to the concept of newspaper death.[3] Those newspapers which died were second or third papers in a town where competition left less and less space for parallel channels of news, opinions and, above all, advertising. The papers to leave the market were mostly political party organs, suggesting a trend which stood in fundamental opposition to the historical doctrine in the country whereby newspapers were typically established and designed for political party support. Accordingly, newspapers had not been considered as an industry but as an integral part of a multiparty democracy, and there was a consensus across the political spectrum of newspaper death as a menace to be avoided. It was also known that the situation was more or less the same in other Nordic countries, thus strengthening the consensus that something had to be done.

The first major move by the government was the appointment of a *Committee on the Economy of the Press* in 1966. The Committee's report (Komiteanmietintö 1967) confirmed that it was necessary to provide government support in order to sustain a pluralistic and abundant newspaper press in the country. Following the Swedish example, it proposed state subsidies to the press to counter the downward spiral of advertising and circulation of newspapers in financial straits. It also recommended that the state postal system should keep the newspaper delivery rates low. This delivery support had been implemented since the 1950s and increased in the 1960s, while another form of state aid was now introduced following the Committee's recommendation, especially for politically affiliated newspapers in financial distress—a parallel to state aid for political parties.

In this situation, the government appointed in June 1972 a *Committee for Communication Policy* which was "*to survey the problems related to mass communications and requiring government action, and to draw up proposals for remedying them*" (*Komiteanmietintö* 1974, p. iii).[4] The Committee, composed of 17 members, who were experts representing practically all directions of national politics with a rough balance between the socialist and the non-socialist affiliations, was given an extensive mandate including prospects for cable television and for the question of how communication policy issues should be handled in the state administration. But first and foremost the Committee's mandate was "*to study the structure and financial condition of the press in Finland, and to draw up a proposal for the organization of state support for the press*" (*Komiteanmietintö* 1974). The first report of the Committee included comprehensive statistics concerning the

[3] This part is based on histories of the Finnish press (e.g. Tommila and Salokangas 1998) as well as on official documents and was prepared by Kaarle Nordenstreng, who was co-chair of the Government Committee on Communication Policy in 1972–1974. For an overview of the Committee, see Nordenstreng and Wiio (1979).

[4] All quotes refer to the abridged version published in English language.

publication of daily newspapers and their economic situation. The latter was based on a confidential survey carried out among newspaper publishers. The proposals regarding the newspaper press were formulated unanimously, thus reflecting the whole political spectrum.

The proposals began with a passage entitled "General objectives" (*Komiteanmietintö* 1974, pp. 64–65). This passage represents a summary of the Finnish press policy doctrine in the latter half of the twentieth century. Here are its key paragraphs: "*One essential component of a democratic system of government is the right of the citizens to send and receive information without prior interference. A democratic society will be unable to function unless freedom of speech and the right of free opinion formation are guaranteed in practice as well as in theory by means of a many-sided system of communication.*[. . .] . . . *the press will continue to be indispensable in serving the citizens as a source of information regarding their environment, as a forum for the free discussion and exchange of opinion which form so essential part of a democratic state, as a source of increased political diversity and strength, and as a means of keeping watch over the use of power in society. In order that these functions of the press may be fulfilled, it is necessary in a democratically governed country to have a number of newspapers, independent of each other in control and financing. Some of these newspapers should represent various political parties while others should be politically independent, and neither of the two types should have to operate at a disadvantage compared to the other. It is the task of society to secure many-sided and effective communication, among other ways by making available to every reader a number of different daily papers: both independent and party-aligned, both national and regional in scope of coverage and both Finnish and Swedish in language*."

This consensus position signifies both the philosophy (i.e. not purely libertarian freedom from censorship but progressive freedom for practical means) and, more pragmatically, represents the framework for the introduction of state aid as such. On this basis it was easy to recommend such policy measures which would ensure that the shares of party-aligned and non-aligned sectors of the newspaper press were in reasonable balance and the politically affiliated papers would roughly follow the parliamentary distribution of political forces. The assessment and proposals which followed were unanimous regarding newspapers, that is, newspapers proper published at least three times a week as well as local newspapers published once or twice a week. However, the Committee did not reach agreement on state aid to the periodical press (i.e. magazines published a most once a week). Here we shall focus on public subsidies to the newspaper press, compared to which the state aid to the periodical press was much smaller.

While the consensus doctrine in principle welcomed state aid to the press, and considered it a means to guaranteeing freedom of speech in Finnish society, there was no agreement about the specific forms of subsidy in the early 1970s, when the Committee began its work. Controversy erupted in particular about subsidising newspaper transport and delivery through the state postal system (PTT) at reduced postage rates—a vital question in a country where 98 % of newspapers were delivered (mostly by PTT) to subscribers instead of being sold

in the streets. The PTT had for years insisted that its rates were much lower than the actual costs of delivery, and in the late 1960s it was compensated for some of its deficit in the national budget. However, most of the newspaper publishers and their supporters on the political right refused to accept these amounts as real subsidies to the press. It was generally known that most of these hidden subsidies went to newspapers with a non-socialist or "bourgeois" orientation (either party organs or so-called "independent" papers)—simply because they had much bigger circulation than the socialist newspapers. An unfair distribution of state subsidies was an argument by the socialist press and gradually also by other political party-affiliated press in favour of increasing direct subsidies to political newspapers. In general, while there was a consensus in principle about subsidising party papers across the board, there was no agreement on the level of this support and instead a widespread reluctance to raise this politically selective subsidy.

The economic survey and other reviews of the newspaper industry conducted by the Committee, along with a parallel study on the costs of press distribution,[5] served to clarify these uncertainties and controversies. The most significant achievement was a consensus reached on the actual level of hidden subsidy through the PTT delivery scheme: in 1971, it was decided that some 103 million Finnmarks (corresponding to 17.5 million euros) were to be given to the press as a whole (newspapers and periodicals), while the press itself paid only 33 million Finnmarks (5.6 million euros) to the PTT for all the deliveries. In other words, the subsidy was three times greater than what was paid by the press itself. The Committee deliberations thus for the first time revealed this hidden public subsidy to the press, removing the controversy around this issue and making it accepted by all parties concerned.

The reduced delivery rate was defined as indirect *general support* to the press benefiting all papers in similar terms, depending on the use they made of the postal service. A second form of indirect general support was given by exempting newspaper (and magazine) subscriptions from VAT—another hidden form of subsidy which was considered controversial until the Committee came to define it and discuss it more openly. The cost of the VAT exemption represented only one-fourth of the value of the reduction of the postal rate, but it was still far bigger than the direct subsidies given out to the press.

Direct subsidies had been introduced in the late 1960s mainly to help to sustain politically affiliated newspapers and news agencies. They were now defined as *selective support* to the press and came to support only certain papers, based on either economic criteria applied automatically or political criteria applied according to the parliamentary weight of each party (i.e. the number of MPs).

The general support for newspapers was calculated to be altogether 75 million Finnmarks (12.8 million euros) in 1971, while the selective support was at the level of 10 million Finnmarks (1.7 million euros) (*Komiteanmietintö* 1974, p. 47). At the same time, the newspapers received 310 million Finnmarks (52.7 million euros) in

[5] Conducted by the Business Research Institute of the Helsinki School of Economics.

revenue from advertising and subscriptions. Hence total industry revenues were broken down as follows: advertising 60 %, subscriptions 20 %, and state subsidy 20 %. The lion's share of the state aid was made up of general support (18 % of overall revenue), compared to which the selective support was minimal (2 % of overall revenue).

The Committee proposed to increase the level of state aid to newspapers by over 30 % to 100 million Finnmarks (17 million euros) and, more importantly, to change its structure so that the relative share of selective support would increase three times from a share of one to seven to three to seven (*Komiteanmietintö* 1974, p. 71). A carefully designed package deal proposed by the Committee suggested dividing the selective support into two main forms of subsidy (1) automatic subsidies based on economic indicators and (2) political subsidies based on the relative parliamentary strength of each party measured by the number of MPs.

Using the system applied in Sweden as a model, the Committee developed a proposal which would automatically channel money to daily papers with so-called number-two market status, measured on the basis of their newsprint consumption. The purpose of this fully automatic form of subsidy was to improve the position of these papers in their own competitive field and to break the prevailing vicious circle of competition for circulation and advertising. The automatic support was to be channelled to both political and independent papers by reason of their competitive position alone—which, in practice, meant support to political party organs. In addition to the automatic subsidy to number-two papers, the Committee recommended that a sum of money be allocated annually in the state budget for subsidies to be paid to the press organisations of the political parties in proportion to their representation in Parliament. This kind of subsidy would enable the parties to develop the press activities internally and would play an especially important role in alleviating the difficulties of political newspapers appearing in peripheral parts of the country.

The package deal of the Committee, however, was not fully implemented as the political and economic environment in the country changed since the mid-1970s along with the oil crisis and the slowing down of democratic reforms. However, the concepts of general and selective support remained unchallenged, and the share of selective support was later slightly increased. Yet the total amount of state aid to the press did not keep up with the growth of the press industry and inflation. Also, newspapers increasingly resorted to their own distribution systems, mostly as joint ventures bypassing the PTT.

Looking at the situation in 1983, as reported to a *new Parliamentary Committee on the Press* (Nordenstreng 1985), it turns out that the share of state aid of the whole newspaper industry revenues (turnover) was 14 %, of which the general support was 11 % and the selective support was 3 %. The decade since the early 1970s witnessed further newspaper deaths and political party organs turning into independent (bourgeois) newspapers, and this trend was boosted by a general economic recession in the early 1990s.

By Finland's entry to the European Union in 1995, there was little left of the communication policy of the early 1970s. A study of the long-term development of

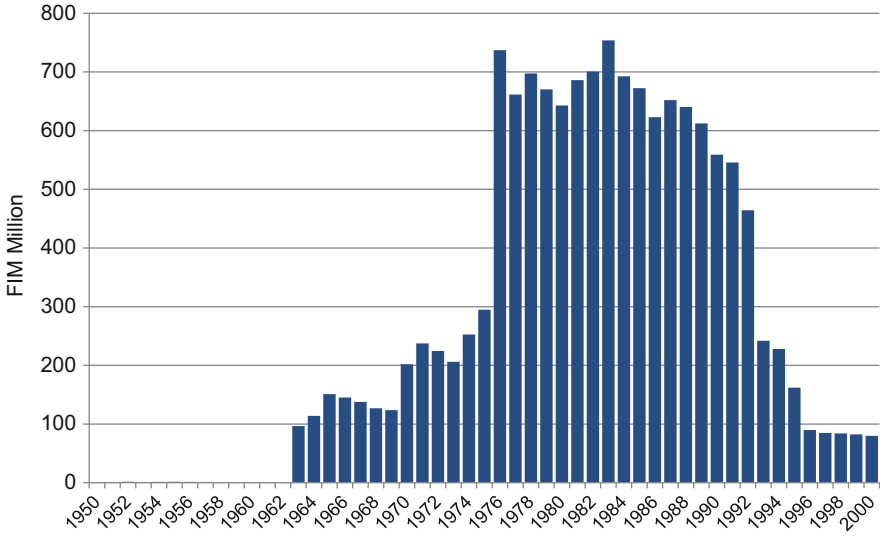


**Fig. 12.1** Total annual expenditures for press subsidies 1950–2000 (million FIM, fixed prices). Source: Picard and Grönlund (2003, p. 112, Fig. 7)

the Finnish press subsidies by Picard and Grönlund (2003) summarises both direct and indirect subsidies from the early 1950s to the mid-1990s (see Fig. 12.1). This overview is somewhat illusory as the sharp increase in the mid-1970s is due to the change in the accounting system whereby the earlier hidden delivery support was made visible. Yet it graphically illustrates the rise and fall of the Finnish state subsidies.

## 12.4 Present State Aid Scheme to Newspapers

Based on the public interest argument, Finnish government had subsidised newspapers significantly between the 1960s and 1990s. However, since the mid-1990s, state aid to newspapers has been drastically cut. At its final stage, the state aid was directed to the ailing party press in order to promote political pluralism. Even this minimal subsidy was, however, judged to be in violation of the EU State Aid directive and, accordingly, it was fully abolished in 2008. Instead, state subsidy to the political parties was increased in the form of earmarked support to their information activities including new Internet-based services. This can be seen to compensate part of the losses caused by disappearing selective support to political party press, but as it goes to the parties it is not recognised as subsidy to the press.

Today, two forms of public subsidy for the print media remain. Firstly, 0.5 million euros are allocated annually as subsidies for newspapers published in minority languages (Swedish, Same). In practice, the sum is divided between the Swedish news service FNB (by the national news agency STT) and the editorial costs for news in Same language in a regional newspaper in Lapland, *Lapin Kansa*.

**Table 12.3** State subsidies to newspapers 1989–2009 (million euros)

| 1989 | 1992 | 1999 | 2003 | 2009 |
|---|---|---|---|---|
| 43.91 | 37.36 | 12.60 | 12.60 | 0.5 |

*Source*: Statistics Finland (1995, 2010)

Secondly, 1 million euros are allocated yearly to cultural and opinion periodicals, shared by 150 journals. Notably, the dramatic decline in public subsidies to newspapers— from almost 44 million euros in 1989 to 0.5 million euros in 2011—is shown in Table 12.3.

Traditionally, indirect general subsidies for newspapers have been the most important forms of public support to the daily press. In 2010, the VAT exemption regarding newspapers was calculated to amount about 200 million euros per year (Parkkola 2010) and the reduced delivery charge for newspapers, making the cost for home delivery lighter for households in remote areas, was estimated to amount to more than 100 million euros per year (*GT-raportti* 2010). However, the VAT exemption scheme was cancelled at the beginning of 2012, and a tax of 9 % on newspapers and journals was introduced.[6] In addition, the changes in the *Act on Postal Services* in 2011—to meet European Union postal directives—have caused concern about the delivery costs of smaller newspapers in sparsely populated areas (see Finnish Newspaper Association 2010). In all, the effects of these policy shifts remain unclear. The largest media houses have been keen to promote the argument that the introduction of VAT will have a major financial impact that will lead to more layoffs and cuts. However, not all editors-in-chief subscribe to this argument (Lehtisaari et al. 2012).

## Conclusion: The Demise of the Finnish Model

The Finnish model of press subsidies underwent fundamental changes between the 1960s and the 2010s. The most disruptive changes took place between 2008 and 2012 when, first, the last remnants of direct subsidies were abolished (in 2008) and by 2012 also all indirect subsidies. This means that in a few years Finland went from being at the top of the list of European countries in public subsidies to newspapers (Nielsen and Linnebank 2011) to being one of the few countries with practically no subsidies, neither direct nor indirect.[7]

The Finnish model was a *dual model*, combining a high degree of *licence-fee funding*—since 2013 part of state taxation—for public broadcasting with considerable indirect subsidies for the private press. Today, the situation has changed fundamentally. All notable forms of press subsidies have been axed. The fate of state aid to newspapers can be seen as one symptom of a much wider problem which concerns the relationship of the current media, especially news journalism, and the future of Finnish democracy as such. The main issues in the debate have been:

[6] VAT increased to 10 % in 2013.

[7] See, however, footnote 1: the newspapers still enjoy reduced VAT.

1. *The future of journalism*: There is widespread concern about the quality of journalism. Both the numbers of news journalists and the time available for creating a news story are in decline. It is feared that the decline in the resources for quality journalism results in lowering the standard of serious, in-depth reporting (Nikunen 2011).
2. *The information divide*: There is growing concern of the divide between "information rich" and "information poor". Growing costs in providing quality and investigative journalism result in increases in the price of quality information. Traditional professional journalism becomes a privilege of the informed elite. The mass audience is left to consume information for free—advertising-funded free online services and free newspapers, which seldom offer original and well-researched journalistic content. As a result of the proliferation of entertainment television channels, public exposure to quality news programmes is diminishing (Herkman 2011; Seppänen and Väliverronen 2012).
3. *Threats to democracy*: There is a mounting fear that democratic and cultural values in media and communications policy are in jeopardy. The policy planning and policy measures are increasingly justified on the basis of enhancing market competition, not of cultural and social goals. This market logic has pervaded all policy sectors: broadcasting policy, where public service broadcasting (PSB) is restricted in order not to harm the market; telecommunications, where universal service obligation (USO) is interpreted for the benefit of the industry; and the public availability of newspapers, where EC stipulations are applied against the citizens' interests (Nieminen and Pantti 2012; Herkman 2011).

Finally, it must be emphasised that the changes in the Finnish media system and journalism described above are closely related to more general societal and cultural trends. The long decline in newspaper circulation from the late 1980s has been accompanied by several simultaneous changes in Finnish society. A significant period was in the early 1990s, when Finland suffered a deep economic recession, amounting to a drop of 10 % in GDP between 1991 and 1993. The recovery strategy by the government included a radical change not only in political style— from the long-prevailing consensual corporatism towards a more aggressive majoritarian style of politics—but also in basic governmental social and political philosophy (Julkunen 2001, 2006; Hänninen et al. 2010).

From the 1960s onward the Finnish national strategy was based on the Nordic model of social welfare ideology, aimed at promoting equality in all areas of social life (Bergholm 2007). Now the emphasis has changed: instead of social welfare, economic competitiveness and efficiency have been adopted as the main goals for national policies. This has contributed to drastic cuts in public spending in many areas, including social welfare, health care, old age pensions, education, etc. The consequences are becoming visible: between 1995 and 2010, the rise in income differences in Finland was highest of all the OECD countries, and the gap continues to grow. Even the OECD warned Finland in 2008 of the

expected—and today also experienced—social and political costs of this trend (OECD 2010).[8]

An easy conclusion is that the results show that parliamentary democracy has not been able to deliver relative to citizen's expectations. Why vote if you cannot expect any benefit from it? Many politicians, however, have put the blame on the media. The claim is that because the media has become more and more critical and even hostile to politics and politicians, they have contributed to civic cynicism and political passivity. In other words, the media and journalists have not been able to serve as an efficient intermediary between the citizenry and political decision-makers, but are instead using their power for their own benefit.

It is against this general background that the developments in the Finnish media and journalism must be assessed. It can be argued that it is not so much a crisis of the media system and journalism but a wider rupture in the Finnish model of the social contract. The sphere of national politics—traditionally the core subject area for journalism—has been drastically narrowed and redefined. As more and more public policies and public services are, due to privatisation and outsourcing, transferred to the market, the role and significance of national politics have become increasingly confusing. This has also left the function of the media and journalism progressively unclear. If we think that the role of the media and journalism should be to speak to the national audience, or national audiences, there are simply fewer and fewer substantial issues around which the national audience could be constructed today.

This does not mean, however, that there is no demand for professional journalism. As in most other countries in Europe, different forms of social activism and democratic participation are proliferating in Finland, too, and there is certainly an increasing need for information and informed opinions. What is new, however, is that with the advent of the new ICT, and especially the Internet, the modes of communication have drastically changed and the traditional media has been found wanting from the point of view of new communicative needs.

From this perspective, it is not primarily the challenge of the Internet and the new digital technology that is changing the media and journalism landscape in Finland; rather let us say that the Internet has been domesticated in a particular historical context. Nor can we claim that it is the global financial crisis that is shaping the future of the Finnish media and journalism; it might be better to say that the significance of the crisis is in its acceleration of the developments which have been under way for quite some time.

[8] For Finnish reports of this, see *Suomi on maailman huipulla-tuloerojen kasvussa*. http://www.talouselama.fi/uutiset/suomi+on+maailman+huipulla++tuloerojen+kasvussa/a2079160; *Tilastokeskus: Tuloerojen kasvu jatkuu Suomessa*. http://www.demari.fi/politiikka/uutiset/9161-tilastokeskus-tuloerojen-kasvu-jatkuu-suomessa

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