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Shaping EU Policy on European Company Law

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Abstract

European states are in favour of a company law's framework that could be adapted to the present social needs and to the modern evolution of the economic development. EU company law has played central part in building the single market. It is now time to see whether today's needs are still met by the existing legal framework. After extensive consultations on the future of the European company law (ECL) during the first half of 2012, the European Commission has acquired comments from all stakeholders. The article is a reflection on the major directions towards common legal ways of "doing business" in Europe.

Keywords: company law, business regulations, harmonisation.

Introduction

European company law provides a common set of rules that offers equivalent protection to shareholders, creditors and other stakeholders across the EU affected by companies' actions. Company law is crucial to ensure legal certainty and protect shareholders' rights. While member states' different legal traditions and company structures must be respected, harmonisation of the basic rules makes it easier for companies to offer services and products to all customers in the Union.

The growth of cross-border trade and the development of e-commerce present many opportunities for businesses and consumers but they also present challenges for the existing company law framework. Hence, the analysis on how to adapt the existing framework to the new landscape of the 21st century is necessary. Moreover, present business challenges in Europe require looking at the company law not only from a purely legal perspective but in the wider context of corporate governance, corporate social responsibility and businesses' key role for innovation and growth.

One of the lessons of the financial crisis is that corporate governance, until now usually based on self-regulation, was not as effective as it could have been. It is important that companies are better run. If companies are better run, not only is a future crisis less likely but they should also be more competitive. The European Commission launched a public consultation that addressed the ways in which corporate governance of European companies could be improved in 2011. Corporate governance is traditionally defined as the system by which companies are managed and controlled. A number of issues have to be settled: such as how to improve the diversity and functioning of the boards of directors, and the monitoring and enforcement of existing national corporate governance codes, and how to enhance the engagement of shareholders.

The lessons of the crisis will eventually lead to a better supervision of financial institutions, stronger banks and effective resolution systems for failing institutions. As part of a longer term review of the corporate governance framework of companies at large, the EU efforts will focus on how companies, not just financial institutions, work. There are a number of findings that indicate that there is room for improvement in different areas of corporate governance, such as diversity in boards, shareholder engagement and the quality of corporate governance statements [1].

Routes to harmonisation

Existing European legislation on company law includes a large number of directives and regulations. The harmonisation of European company law covers the protection of interest of shareholders and others, the formation (“constitution”) and maintenance of public limited-liability companies’ capital, takeover bids, branches disclosure, mergers and divisions, minimum rules for single-member private limited-liability companies, shareholders’ rights and related areas such as financial reporting and accounting. It also includes different European legal forms such as the European Company (SE), the European Economic Interest Grouping (EEIG) and the European Cooperative Society (SCE).

Both policy fields are closely linked as some corporate governance rules are enshrined in company law, and company law deals to a large extent with corporate governance issues. Thus, for the sake of coherence, any possible follow-up initiatives in these two fields would be announced jointly in the second half of 2012. In April 2011, the Commission issued a similar public consultation in the field of corporate governance [2].

Thus, the Green Paper aims to launch a general debate on a number of issues such as:

1. Board of directors: questions addressed refer to their effective functioning and ensuring they are composed of a mixed group of people, e.g. by enhancing gender diversity, a variety of professional backgrounds and skills as well as nationalities. Functioning of boards, namely in terms of availability and time commitment of directors are also under scrutiny as well as questions on risk management and directors’ pay.
2. How to enhance shareholders’ involvement on corporate governance issues and encourage more of them to take an interest in sustainable returns and longer term performance, but also how to enhance the protection of minority shareholders. It also seeks to understand whether there is a need for shareholder identification, i.e. for a mechanism to allow issuers to see who their shareholders are, and for an improved framework for shareholder cooperation.
3. How to improve monitoring and enforcement of the existing national corporate governance codes in order to provide investors and the public with meaningful information. Companies which do not comply with national corporate governance recommendations have to explain why they deviate from them (too often, this does not happen).

A corporate governance code presents essential recommendations for the management and supervision of listed companies and contains standards for good and responsible governance [3].

Commission’s opinion

In 2011, Internal Market and Services Commissioner Michel Barnier underlined that in the current economic situation, the EU urgently needed that companies were well governed and consequently reliable and sustainable. He also added that the European business needs efficient corporate governance framework; above all, Europe needs company boards to be more effective and shareholders to fully assume their responsibilities.

In February 2012, he specified that “the EU policy on European company law is a challenge that we have to meet: getting company law right makes it easier for businesses to develop across the EU to the benefit of their shareholders and customers. The landscape for company law is changing and we need to think about how best to adapt our regulatory framework” [4].

Public consultation

Input is requested both on the general orientation of European company law and on more specific initiatives that could be envisaged in the future.

The following issues are covered in the consultation:

- objectives and scope of European company law: current regulations for present EU and global challenges, areas of further evolution, relationships between company law and corporate governance;
- codification of European company law: whether the existing company law Directives should be merged in a single instrument in order to make the regulatory framework more accessible and user-friendly;
- the future of company legal forms at European level: advantages and shortcomings of European company forms; whether existing company forms need to be reviewed and alternative instruments explored;
- cross-border mobility for companies: what can be done to facilitate the cross-border transfer of a company's seat; what if a company splits into different entities cross border; either the rules on cross border mergers should be reviewed;
- groups of companies: i.e. a set of companies under a single management or source of control, do they need EU policy action in this field;
- capital regime for European companies: should the existing minimum legal capital requirements and rules on capital maintenance be modified and updated?

Company law initiative

European company law provides a common set of rules that offer equivalent protection to shareholders, creditors and other stakeholders across the European Union. It also makes it easier for companies to offer services and products to all customers in the Union.

European industry today is seeing an increasing amount of cross-border trade and e-commerce. Growth in cross-border activities means that the European legal framework needs adjustment to future challenges. Hence, the Commission's intention to re-adjust the European company law.

Public opinion on business regulations

It has been very difficult to reach agreement at European level on proposals in the field of company law, with the notable exception of the interconnection of business registers. The latest complicated and unfinished negotiations are those on the Private Company Statute. The Commission therefore wants to check the pulse of stakeholder opinion on the purpose of EU company law, and on its future.

Linking business registers across Europe will stimulate cross-border trade and save up to 70 million euro a year. In February 2011, the Commission adopted a proposal to interconnect business registers within the EU. Company registers provide company information that is essential for consumers and business partners alike, such as information on a company's legal form, its seat, capital and legal representatives. The proposal will help to facilitate cross-border electronic access to business information, by ensuring business registers are updated, and business information is more easily and readily accessible. These changes are crucial for companies when setting up branches, conducting cross-border trade or providing cross-border services in the EU. Business registers are currently organised at national, regional or local levels, and lack the capacity to share information in an efficient and transparent manner (the proposal will be considered by the member states and the European Parliament).

Internal Market and Services Commissioner Michel Barnier said: "More and more companies are offering their services to consumers across the EU. As a result of the growth of e-commerce, goods and services are crossing borders at an unprecedented rate. Consumers, particularly in the online market, need to be able to access reliable and up-to-date information in order to verify the legitimacy of these businesses; we need to improve the legal certainty both for consumers and for businesses" [5].

Law and business

Company information is valuable for consumers, existing or potential business partners, as well as for public administrations. Cross-border access to business information allows a business to find out about another business elsewhere in the EU. It is also needed in the cases of cross-border mergers and/or seat transfer procedures.

Such cross-border access to business information requires that national business registers cooperate in various ways. Although some cooperation already exists, accessing company information from another member state is often difficult. It takes time, and translations are often unavailable. Businesses are faced with diverse national registration systems which is costly. Business information in the register of a company's foreign branches is often not up to date. Furthermore, it is limited to certain types of information and it does not cover all EU states [6].

The proposal will require all member states to link up their business registers electronically. This will help business registers provide reliable and up-to-date information on the status of the company and its foreign branches in Europe. This will also improve efficient cooperation between business registers in cross-border transactions and mergers by ensuring better electronic links between them. Still another aspect concerns improving cross-border access to official business information for interested parties such as consumers, existing or potential business partners, the public and the tax and justice administration throughout the EU.

Cross-border access to business information is also useful for consumers. The Commission's 2009 report on e-commerce showed that, in 2008, 33% of individuals in the EU ordered online, but cross-border shopping reached only 7%. Consumers underlined that one of the reasons for not buying in another country was the difficulty of establishing whether a seller (usually a company) was trustworthy or not, mainly due to insufficient information and language problems.

Commission's initiative should increase confidence and transparency in the European single market, ensuring a safer business environment for consumers.

All 27 EU member states hold business registers. They are organised at national (e.g. in Sweden, Ireland and Denmark), regional (e.g. in Austria) or local level (e.g. in Germany). Throughout Europe, business registers offer a range of services, which may vary from one country to another. The core services provided by all registers, however, are to examine and store company information, such as information on a company's legal form, its seat and its legal representatives, and to make this information available to the public.

Facilitating access to official information on companies for third parties was one of the objectives of the First Company law Directive (68/151/EEC) in 1968. Its 2003 amendment ensured that all member states had electronic business registers in place by 2007. Furthermore, other requirements in EU law, such as the cross-border mergers Directive (2005/56/EC) and the Directive on branch disclosure (89/666/EEC) have made the day-to-day co-operation of business registers a necessity. Nevertheless, the co-operation between business registers remains voluntary. As such, it fails to either guarantee certainty in cross-border legal procedures or to increase transparency in the Single Market.

This proposal for a Directive on the interconnection of central, commercial and companies registers amends the above-mentioned Directives 89/666/EEC and 2005/56/EC as well as Directive 2009/101/EC on the coordination of safeguards for the protection of the interests of members and third parties [7].

The "unified approach" to the European company law is a part of a larger reflection process that the Commission initiated in autumn 2010 by setting up an ad-hoc expert group to look at the future of European company law. The group produced a report containing a number of recommendations for action. The report was followed by a public conference on "European Company Law: the way forward", which took place in Brussels, 16-17 May, 2011 [8].

Modern issues in European company law

Present EU legislation on company law includes a large number of directives and regulations, which cover, among other things, the following issues:

- the constitution and maintenance of public limited-liability companies' capital;
- rules to be followed in takeover situations;
- disclosure regarding branches established in other member states;
- mergers and divisions/acquisitions;
- minimum rules for private limited-liability companies with a single-member;
- the protection of shareholders' rights; and
- related policy, such as financial reporting and accounting [9].

At EU level, currently there exists a body of corporate governance principles and rules. It consists of a number of recommendations on the independence of non-executive directors, on board committees, and on remuneration. Moreover, it also contains the obligation for listed companies to issue a corporate governance statement. The directives on takeovers (Directive 2004/25/EC), transparency of listed companies (Directive 2004/109/EC), shareholders' rights (Directive 2007/36/EC), market abuse Directive (2003/6/EC) and audit Directive (2006/43/EC) shape the corporate governance landscape in the EU [10].

Corporate law issues also include different European legal forms such as the European Company, SE; the European Economic Interest Grouping, EEIG and the European Cooperative Society, SCE [11].

Company law examined

The issues under the main consideration include an overview over European company law, more specifically to consider the corporate initiatives envisaged in the future. The questions have been grouped into six chapters: 1) the objectives of European company law; 2) the scope of European company law; 3) the codification of European company law; 4) the future of company legal forms at European level; 5) cross-border mobility for companies, groups of companies; and 6) the capital regime for European companies. These topics were chosen by the European business circles as a result of the reflection process which started at the end of 2010 [12].

Perspectives

The Commission will thoroughly analyse responses received. Following this analysis, the European Commission will publish a feedback statement summarising the results (expected at the end of 2012). Possible follow-up initiatives would then be announced. They would form a coherent package with any follow-up measures resulting from the reflection on the European corporate governance framework. Under all circumstances, the business community in Europe would acquire "a unified" legal framework for corporate entities.

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The EU “Bank Union” Proposal: New Stage in European Integration

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Abstract

The EU institutions since the end of 2008 have been actively searching for the appropriate remedy tools to tackle the crisis' aftermath. The Commission strongly believes that there is a clear longer term perspective for the EU's economic and monetary future formulating directions of reforms necessary for the EU and the member states to tackle their current challenges. One of the recent suggestions has been a proposal for the “banking union” to combine political and economic governance with the financial and monetary consolidation.

Keywords: European economic integration, banking sector, banking union.

Introduction

The Commission has been pushing for deeper economic integration as one of the remedies to the current crisis. This new step in European integration would complement existing economic and monetary union. In this context, the Commission is putting forward the concept of a banking union as one of the “building blocks”, which should pave the way towards this integration.

The concept of a banking union was put forward by the Commission President Barroso at the spring informal European Council, which took place on 23 May, 2012. The proposal will be discussed thoroughly by the EU leaders, institutions and the member states. However, the European banking union is not a new legal instrument to be drafted. It is a political vision for a greater EU integration, which will build on recent major steps to strengthen the regulation of the banking sector [1].

At the European Council (28–29 June, 2012) the EU President revealed the Union's idea of the “banking union” in close collaboration with the Commission's President, the chairman of the Eurogroup and the ECB President. The main building blocks include deeper economic and monetary integration, as well as details of the banking union's formation. Once the proposal is agreed at political level, the Commission will make the necessary measures to implement the new policy objective.

Banking sector: short history

Over the past three years many things have been done to strengthen the Union's banking sector. Some key proposals are still pending before the Parliament and the Council, and should be adopted soon. However, further proposals would be needed to make a qualitative step towards a true banking union.

1. Banking regulations. Since the beginning of the crisis, the European Commission has tabled around 30 proposals to improve regulation of the financial system and benefit the real economy. This represents a solid basis for a future banking union. The Commission has also contributed to strengthening financial stability and the banking sector through its state aid control policy and the different stability and adjustment programmes.

Three European supervisory authorities were established on 1 January, 2011 to introduce a supervisory architecture:

- 1) the European Banking Authority (EBA), which deals with bank supervision, including the supervision of the recapitalisation of banks;
- 2) the European Securities and Markets Authority (ESMA), which deals with the supervision of capital markets, and
- 3) the European Insurance and Occupational Pensions Authority (EIOPA), which deals with insurance supervision.

The EU-27 national supervisors are represented in all three supervising authorities. Their role is to contribute to the development of a single rulebook for financial regulation in Europe, solve cross-border problems, prevent the build-up of risks, and help restore confidence. They can, for example, ban products that threaten the stability of the overall financial system in emergency situations. Individual ESAs have specific roles: for example ESMA is the EU supervisor of credit rating agencies, while EBA and EIOPA carry out “stress tests” of their respective sectors and EBA has overseen the current recapitalisation exercise of EU Banks.

In addition, the European Systemic Risk Board (ESRB) has been tasked with the macro-prudential oversight of the financial system within the Union. This new financial supervision framework has been in place since November 2010 [2].

2. Strengthening the banking system by securing better capitalisation. Banking institutions entered the crisis with capital that was insufficient both in quantity and in quality, leading to unprecedented support from national authorities. With its proposal on bank capitalisation (CRD IV) made in July, 2011, the Commission launched the process of implementing the new global standards on bank capital in the EU agreed at the G-20 level (most commonly known as the Basel III agreement). Europe is playing a leading role on this matter, applying these rules to more than 8000 banks, representing 53% of global assets.

The Commission also wants to set up a new governance framework giving national supervisors new powers to monitor banks more closely and take action through possible sanctions when they spot risks, for example, to reduce credit when it looks like it is growing into a bubble. European supervisors would intervene for example in cases of disagreement between national supervisors in cross-border situations [3].

3. Facilitating banking sector restructuring. Extensive financial sector conditionality has been included among the policy requirements addressed to the member states that have received international financial assistance.

With respect to the banking sector, the required policy measures consist, on the one hand, of the orderly winding-down of non-viable institutions and, on the other hand, of the restructuring of the viable banks. Higher capital requirements, recapitalisations of banks, thorough stress tests, deleveraging targets as well as enhancing the regulatory and supervisory frameworks have also been part of the policy initiatives. These stabilisation measures are most easily implemented in the context of international financial assistance.

Further, it is to be mentioned that the European Financial Stability Facility (EFSF) can provide loans to non-programme euro area member states for the specific purpose of recapitalising financial institutions, with the appropriate conditionality, institution-specific as well as horizontal including structural reform of the domestic financial sector.

Specific bank restructuring under the programme include: in Greece, €50 billion have been allocated to the Hellenic Stability Financial Fund for the purpose of recapitalisation; in Portugal – €12 billion for the Bank Solvency Support Facility. Among non-euro states, Latvian government received “banking support envelop” of €600 million [4].

4. Offering more protection to bank deposits. According to the EU legislation, bank deposits in any member state are already guaranteed up to €100,000 per bank account if a bank fails. From a financial stability perspective, this guarantee prevents depositors from making panic withdrawals from their bank, thereby preventing severe economic consequences.

In July, 2010, the Commission proposed to go further with a harmonisation and simplification of protected deposits, faster pay-outs and improved financing of schemes, notably through ex-ante funding of deposit guarantee schemes and a mandatory mutual borrowing facility. The idea behind this is that if a national deposit guarantee scheme finds itself depleted, it can borrow from another national fund. This would be the first step towards a pan-EU deposit guarantee scheme. This proposal is still being discussed by the Council and the Parliament in second reading [5].

5. Calibrating its state aid control. The Commission controlled state aid to banks during the crisis; when financial markets were on the brink of collapse, the natural instinct of some policy-makers was to put our common rules aside and act unilaterally. Without some form of EU-wide coordination, there could be a subsidy race, massive transfers of capital from one country to another, and probably the end of the internal market. The Commission's move was the following: in autumn 2008, the Commission swiftly published guidance explaining how member states could assist distressed banks or businesses in line with EU state-aid rules. This guidance was based on Article 107(3) (b) of the Treaty on the Functioning of the EU (TFEU), which allows state aid to remedy a serious disturbance in the economy of a member state.

The first Communication, adopted in October, 2008, spelt out basic principles for support schemes, such as keeping support limited in time and scope, ensuring that eligibility for a support scheme was not based on nationality or avoiding that beneficiary banks unfairly attract new additional business solely as a result of the government support (see IP/08/1495). A good illustration is the Irish support scheme for banks, which was amended so as to ensure a non-discriminatory coverage of banks with systemic relevance to the Irish economy, regardless of the origin (see IP/08/1497).

This was followed by the Communication on the recapitalisation of banks in December, 2008, tackling the need to recapitalise banks, address solvency issues and access to credit for the real economy (see IP/08/1901) and in February, 2009 by the "Impaired Assets Communication" providing a framework to deal with the problems of toxic assets (see IP/09/322).

Finally, in July, 2009, the Commission adopted the "Restructuring Communication", providing clarity on how the Commission would examine the restructuring of banks so that they can return to long-term viability, share the weight of the cost of their rescue, and address any distortions of competition resulting from the large amounts of aid the banks received (IP/09/1180). Since 1 January, 2011, every bank requiring state support in the form of capital or impaired asset measures has had to submit a restructuring plan (and not only distressed banks, as in the past).

Cases illustrating how the restructuring of important banks was guided by these rules include KBC (IP/09/1730) and Lloyds (IP/09/1728).

Commission's practice

When controlling state aid to banks, the Commission has been acting as a de facto crisis-management and resolution authority at the EU level, working to address the structural problems that had been affecting many banks since well before the crisis.

Three main goals guide the Commission's work: 1) safeguarding financial stability, 2) preserving the integrity of the internal market, and 3) ensuring that the beneficiaries of aid return to long-term viability.

The restructuring idea was based on the following principles:

- that the bank returns to long term viability without the need for further state support,
- that the bank and its shareholders and hybrid capital holders contribute to the costs of its restructuring, and

- that the competition distortions caused by the aid are mitigated; for instance, the Commission asked some banks to move away from unsustainable business models based on excessive leverage and the over-reliance on short-term wholesale funding. In other cases, Commission required a downsizing and the simplification of banking structures.

Finally, when it was clear that the viability of a bank could not be restored, its orderly resolution was put in place. In all cases, the Commission asked banks to pay back the aid received from their governments. This condition was vital, because it addressed the moral-hazard issue and limited the cost to the taxpayer [6].

Measures to strengthen Europe's financial sector

In addition to reinforcing the supervision of the financial sector, increasing protection for bank depositors, strengthening capital requirements for financial firms, and improving crisis management in the banking sector, the Commission is also working on:

- examining reform of the structure of the banking sector through the work of the high-level expert group headed by Erkki Liikanen [7];
- regulating shadow banking (IP/12/253);
- making credit ratings more reliable (IP/11/1355);
- tightening rules on hedge funds (IP/09/669), short selling (IP/10/1126) and derivatives (IP/10/1125);
- revising current rules on trade in financial instruments (IP/11/1219), market abuse (IP/11/1217) and investment funds (IP/10/869);
- curbing banking pay practices that encourage recklessness (IP/09/1120);
- reforming the sectors of audit (IP/11/1480) and accounting (IP/11/1238).

Proposal on resolution tools for banks in crisis

The Commission's proposal on resolution tools for banks in crisis, due to be adopted today, is the last in a series of proposed measures to strengthen European banking sector and avoid the spill-over effects of any future financial crisis, with negative effects on depositors and taxpayers.

To ensure that the private sector pays its fair share in any future bailouts, the EU will propose a common framework of rules and powers to help EU countries intervene to manage banks in difficulty. Repeated bailouts of banks have fuelled a public perception of deep unfairness, increased public debt and imposed a heavier burden on taxpayers.

A common EU-wide framework of tools for bank recovery and resolution would offer tools to prevent crises from emerging in the first place and address them early on if they do.

This will provide a set of tools allowing for the managed resolution of systemically important institutions where necessary.

European Stability Mechanism (ESM) and the banking sector

The European Stability Mechanism (ESM) will have a lending capacity of €500 billion. For euro area member states not subject to a programme, the ESM will have the possibility of providing a loan for the specific purpose of re-capitalising financial institutions. The granting of such financial assistance is a subject to a positive decision of the Board of Governors of the ESM, i.e. the finance ministers of the euro area member states. The conditionality attached to financial assistance shall be detailed in a Memorandum of Understanding and will include institution-specific as well as horizontal conditionality. Recapitalisations can also be conducted under a loan accompanied by a fully fledged macroeconomic adjustment programme. The ESM Treaty does not currently foresee direct lending by the ESM to a financial institution.

Reflections for the future

The following proposals should be considered when mapping out the next steps towards a banking union:

1. An integrated system for the supervision of cross-border banks. While the current role of the European supervisory authorities is mainly to oversee the functioning and convergence of national supervisory systems, the Commission is intended to assess how this system is working in order to consider whether it would be appropriate for them to directly supervise financial institutions with a pan-European reach.
2. A single deposit guarantee scheme. In the context of the DGS reform in 2010, the Commission suggested that it would submit a report on the need for existing deposit guarantee schemes to be replaced by a single scheme for the whole Union.
3. An EU resolution fund. Commission's proposal (June, 2012) on resolution tools for banks in crisis may be considered as the first step in this direction.

Member states are offered the option, instead of creating separate resolution funds, to merge the DGS and the resolution financing arrangement [8].

Further, the Commission proposes the setting up of funds at national level which would interact and lend to one another when necessary, notably in the case of cross-border groups, to constitute a European system of resolution funds. Furthermore, the closer integration of supervisory and resolution arrangements for cross-border institutions will be explored further in the context of this mapping out exercise.

As to the prospects of allowing the EFSF and/or the ESM to offer aid directly to banks, this is also an important issue, not in the short-term, but rather in the medium to long-term. The possibility of avoiding or breaking the link between the sovereigns and the banks may be considered as an alternative for direct bank recapitalisation, which is not part of the ESM Treaty for the moment in its present form. It should nourish reflections in the future in order to go to the roots of this current debt crisis.

Commission's proposal for bank recovery and resolution

The financial crisis has seen a number of large banks bailed out with public funds because they were considered "too big to fail". The level of state support has been unprecedented. While this may have been necessary to prevent widespread disruption to the markets, it is clearly undesirable for public funds to be used in this way at the expense of other public objectives. In future, the financial system must be more stable so that government bail-outs are not needed [9].

Moving towards a banking union

The two Commission's work-streams are complementary. The new proposal is a necessary first step to improve efficiency and cohesion in ensuring that failing banks in the EU single market can be resolved in a way which preserves financial stability and minimises costs for taxpayers. It completes the roadmap of financial sector reforms launched since 2009.

The reflection towards a more integrated banking union signalled by the Commission on 30 May, 2012 is an essential subsequent step. It will look into key measures which need to be taken to ensure closer integration. With the present proposal on banking resolution, the Commission is completing the roadmap for financial sector reforms launched in 2009. A more integrated banking union is the logical next step.

Such a banking union will rest on the following 4 pillars:

1. A single EU deposit guarantee scheme covering all EU banks.
2. A common resolution authority and a common resolution fund for the resolution of, at least, systemic and cross-border banks.

3. A single EU supervisor with ultimate decision-making powers, in relation to systemic and cross border banks.
4. A uniform single rule book for the prudential supervision of all banks.

Resolution thus protects certain critical stakeholders and functions (such as depositors and payment systems) and maintains them as operational, while other parts, which are not considered key to financial stability, may be allowed to fail in the normal way. In order to avoid moral hazard and the use of taxpayers' money to support failing banks, shareholders and debt holders need to know that they will bear an appropriate share of the losses in the event of a failure and to attribute a suitable price to this risk. Bank resolution also ensures that decisions are taken rapidly in order to avoid contagion.

The draft proposal and international financial market

The Commission's initiative follows international developments in this area. In November, 2008, G-20 leaders called for a "review of resolution regimes and bankruptcy laws in the light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border institutions" [10].

At the G-20 Pittsburgh summit (September, 2009), the leaders committed to act together to "... create more powerful tools to hold large global firms to account for the risks they take" and, more specifically, to "develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future" [11].

In Seoul (November, 2010) the G-20 endorsed the Financial Stability Board (FSB) Report on "Reducing the moral hazard posed by systemically important financial institutions" which recommended that "all jurisdictions should undertake the necessary legal reforms to ensure that they have in place a resolution regime which would make feasible the resolution of any financial institution without taxpayer exposure to loss from solvency support while protecting vital economic functions through mechanisms which make it possible for shareholders and unsecured and uninsured creditors to absorb losses in their order of seniority" [12].

Most recently, in Cannes (November, 2011), the G-20 endorsed the FSB's core recommendations for effective resolution ("Key Attributes of Effective Resolution Regimes for Financial Institutions") which jurisdictions should implement to achieve these outcomes [13].

Key elements of banking union

The proposal lays out a comprehensive set of measures which aim to ensure that:

- national authorities are equipped with the necessary tools to intervene in a troubled institution at a sufficiently early stage to address developing problems;
- firms and authorities make adequate preparation for crises;
- national authorities have harmonised resolution tools and powers to take rapid and effective action when bank failure cannot be avoided; and
- authorities cooperate effectively when dealing with the failure of a cross-border bank.

The framework takes into account the global nature of several banks. It provides for strong coordination between national authorities under the leadership of the group resolution authority in order to ensure that resolution tools are applied to a cross-border group in a coherent manner across different jurisdictions.

Hence, there are the following key elements.

The framework will be based first on **prevention and preparation**. In particular banks and resolution authorities will be required to draw up recovery and resolution plans on how to deal with financial stress or failure at group level but also for the individual entities in the group. If authorities identify obstacles to resolvability in the course of this planning process, they can require a bank to take appropriate measures including changes to corporate and legal structures to ensure that it can be resolved with the available tools in a way that does not threaten financial stability and does not involve costs to taxpayers.

Another key element will be **early intervention**. The powers of authorities will be expanded in order to intervene at an early stage (before the problems become critical and its financial situation deteriorates irreparably) when a bank is in breach of, or is about to breach, regulatory capital requirements. These powers will include the possibility of dismissing the management and appointing a special manager even before a bank is failing, as well as convening a meeting of shareholders to adopt urgent reforms, and requiring the bank to draw up a plan for the restructuring of debt with its creditors.

The framework will provide for **credible resolution tools** when a bank is about to fail. These tools will include the power to sell or merge the business, to set up a temporary bridge bank to operate critical functions, to separate good assets from bad ones and to convert to shares or write down the debt of failing banks (the so called bail-in). The objective is to minimise the extent to which the cost of a bank failure is borne by the State and its taxpayers. The resolution tools will ensure that essential functions are preserved without the need to bail out the institution, and shareholders and creditors bear an appropriate part of the losses. They will also prevent the precipitous loss of value in a failing bank associated with bankruptcy, for example, by quickly recapitalising it and allowing it to be restructured.

The framework also establishes the mechanisms for **cooperation between national authorities** so that where a cross-border banking group fails, national authorities will coordinate resolution measures to protect financial stability in all affected member states and achieve the most effective outcome for the group as a whole.

The role of the European Banking Authority (EBA)

The EBA will play a strong coordination role both during the prevention and early intervention stages (in particular in resolution planning) as well as in facilitating the taking of joint decisions with respect to cross-border firms undergoing resolution. The proposals vest the EBA with clear and decisive powers in areas where harmonisation and consistency in rules and practices is key, while avoiding any duplication in the tasks of national authorities responsible for day-to-day oversight.

The costs of bank resolution

In order to be effective the resolution tools require a certain amount of funding. For example, if the authorities create a bridge bank, it will need capital or short term loans to be able to operate. These costs should be borne by the banking sector rather than taxpayers.

This is why every member state will have to set up financing arrangements funded with contributions from banks and investment firms in proportion to their liabilities and risk profile.

Banks will contribute in relation to their share of specific liabilities of the total size of the national financial sector so that those who contribute most would potentially benefit most in case they enter resolution.

Each national fund will finance the resolution of the entities established on its own territory. For cross-border groups, various relevant national arrangements will be required to contribute to a financing plan pre-determined between the competent resolution authorities.

The national financing arrangements should be sufficiently financed ex-ante. To that end contributions will be raised from banks at least annually in order to reach a target funding level of at least 1% of covered deposits over a 10-year transitional period (likely to end of 2023 or 2024, depending on the date of entry into force of this proposed Directive) [14].

If the ex-ante funds are insufficient to deal with the resolution of an institution, further contributions will be raised (ex post).

In case of need, national financing schemes will also be able to borrow from one another. Other schemes will be obliged to provide support unless they consider that such lending would leave them without sufficient funds to deal with any imminent resolution action in their own national market. In any event, no national fund could be asked to lend more than half of their fund's value.

For an optimal use of resources, the resolution Directive takes advantage of the funding already available in the 27 Deposit Guarantee Schemes (DGS). When an institution has to be resolved, the DGS will have to make a contribution equivalent to the burden they already assume in normal insolvency procedures (i.e. to protect each retail depositor up to EUR 100 000), while the new resolution funds meet the other financing needs required by the resolution. This reflects the burden which DGS currently already assume in order to avoid retail depositors from losing money in the event a bank goes bankrupt.

EU member states will also have the option, instead of creating separate resolution funds, to merge the DGS and the resolution financing arrangement. If member states decide to have a single fund for both functions, the DGS-resolution fund will have to respect all the conditions for resolution funds, notably in terms of funding and responsibilities. In the event that the DGS has to meet several claims at the same time, a priority rule is introduced so that depositors are protected before other claims can be honored.

Strengthening cross-border supervision and resolution in the future

Regulations, no matter how good, cannot overcome poor supervision. The EU has already taken steps to strengthen supervision, notably with the creation of the three European Supervisory Authorities and the European System Risk Board [15]. This proposal strengthens banking oversight further by introducing a common framework for preventing and managing crises affecting the financial viability of all types of banks. As a rule, it establishes a high degree of cooperation and consistency as regards the preventive measures and resolution actions foreseen in relation to cross-border banks and other systemically relevant institutions. This lays the foundations for a more integrated EU-level treatment of these entities.

However, especially for cross-border institutions, there is a need to go further to ensure successful resolution. As stated in the European Commission's Communication of 20 October, 2010, in principle, an integrated framework for resolution of cross-border entities by a single European body would deliver a rapid, decisive and equitable resolution process for European financial groups, and better reflect the pan-EU nature of banking markets. However, this is currently difficult to pursue within the existing treaties, and would be hampered by the lack of a common insolvency regime and single supervisory authority.

Connections to the Capital Requirements Directive IV (CRD IV) drafted in summer 2011

The two proposals complement each other: e.g. the CRD IV proposal (IP/11/915) strengthens the prudential requirements and supervision related to banks and investment firms. The "banking union" proposal contains measures on how to address a banking crisis at an early stage and, if the crisis develops further, how to resolve a failing bank in an orderly manner without damaging the financial system and by extension, the real economy.

While the CRD IV proposal reduces the probability of banks failing, the new proposal reduces the impact of such failures and will therefore work as a backstop for bank failures. It contains legislative provisions related to preparatory measures, early intervention measures and resolution powers and tools.

Connections between resolution and deposit guarantee schemes (DGS)

Despite the different scope and purpose of deposit guarantee schemes (IP/10/918), which guarantee deposits up to a certain amount, and resolution, there are a number of synergies. For example, when a resolution framework that stops contagion is in place, the DGS fund would only finance a few banks (pay out depositors) that would potentially default. In contrast, when no resolution measures are available and contagion spreads through the financial system, the amount of money that the DGS needs to pay out in a member state is considerably higher.

In countries where the interbank market (lending between banks) is more developed the synergies between the two are higher (as contagion risk is higher). In addition, if DGS finances resolution measures (e.g. deposits transferred to a healthy bank), its payment obligation would most likely be smaller than the payout of all eligible deposits if the bank is liquidated.

Currently, in several Member States (e.g. Austria, Belgium, Bulgaria, Germany, Spain, France, Italy, Lithuania, Poland, Portugal, Romania, the United Kingdom) DGS have varying powers beyond the mere payout of depositors such as liquidity support, restructuring support or a liquidation role. DGS would be used to finance such measures if it is less costly than paying out depositors.

Conclusion

The resolution of the Spanish crisis, which escalated in 2012, has been, actually, a first practical step towards “bank union”: e.g. for the first time a government in an EU member state brought together political and financial issues under strict control of the European governance.

In a statement by the Commission’s President and the Commissioner for Economic and Monetary Affairs, the EU leaders welcomed Spanish government’s intention to request the support of the euro area for the restructuring of its financial sector; the Eurogroup’s responded positively. The Commission expressed its readiness to proceed swiftly with the necessary assessment steps, in close liaison with the ECB, EBA and the IMF, and to propose appropriate conditionality for the financial sector. “With this thorough restructuring of the banking sector, together with the on-going determined implementation of structural reforms and fiscal consolidation, we are certain that Spain can gradually regain the confidence of investors and market participants and create the conditions for a return to sustainable growth and job creation”, the EU leaders concluded [16].

The banking union’s idea is a reflection of the need for the EU member states, especially in the eurozone, to go further in terms of integration; that is one of the important lessons from the crisis.

References

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More information on:
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Investor Compensation Schemes // http://ec.europa.eu/internal_market/securities/isd/investor_en.htm
Insurance Guarantee Schemes // http://ec.europa.eu/internal_market/insurance/guarantee_en.htm
6. The Commission revealed some examples which showed the resulting deep restructuring and the partial resolution of banks such as Hypo Real Estate (IP/11/898), Kommunalkredit (IP/11/389), and Northern Rock (IP/09/1600). The unsustainable business model adopted by some German Landesbanken has resulted – in cases such as LBBW (IP/09/1927) and HSH (IP/11/1047) – in the re-focussing on their core business. In the case of WestLB – the viability

of which could not be restored – the result was an orderly resolution (IP/11/1576). In other occasions, governments have had to take over the burden of wrong business decisions adopted by systemically important banks. In these cases, the Commission has requested a downsizing and the significant simplification of banking structures, such as with ING and Commerzbank (IP/09/711).

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8. More information see: Press Release, MEMO/12/416.
9. According to the IMF estimates, crisis-related losses incurred by European banks between 2007 and 2010 are close to €1 trillion or 8% of the EU GDP. Between October, 2008 and October, 2011, the Commission approved €4.5 trillion (equivalent to 37% of EU GDP) of state aid measures to financial institutions. (MEMO/12/416, Brussels, 6 June, 2012). The high profile banking failures which have occurred during the crisis (Fortis, Lehman Brothers, Icelandic banks, Anglo Irish Bank, Dexia) have revealed serious shortcomings in the existing tools available to authorities for tackling bank failures. They have also demonstrated that supporting banks which are too big to fail with squeezed public finances is becoming increasingly unsustainable.
10. See: <http://www.g20.org/images/stories/docs/eng/washington.pdf>
11. More can be seen in: <http://www.g20.org/images/stories/docs/eng/pittsburgh.pdf>
12. See: http://www.financialstabilityboard.org/publications/r_101111a.pdf
13. See: <http://www.g20.org/images/stories/docs/eng/cannes.pdf> and http://www.financialstabilityboard.org/publications/r_111104cc.pdf
14. 1% represents around €80 billion for the Union and €65 billion for the Euro area (as of March 2012, based on data from the European Commission, the European Central Bank and Bankscope).
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Latvian Media during Economic Recession: Ownership Changes, Concentration and Political Parallelism (2008–2012)

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Abstract

The main aim of this particular article is to analyse the data by which one can see the impact of the international crisis left on the media system in Latvia in context of media environment changes in Lithuania and Estonia. The research compiles the processes that were, during the crisis years of 2009 until 2012, called the tectonic fluctuations. That was because the structure of Baltic media ownership changed a great deal; the number of media was also altered, the advertisement market was declined by more than 30 per cent. The processes in question facilitated the changes in media ownership, internationalisation trends and the concentration of media market. Media dependence on advertisers' money increased the commercialisation of media content and lowered journalistic professional quality. Many media were acquired by people within the political system bringing up the question of political parallelism and the level of pluralism in the content of media in Latvia. Processes during the economic recession changed the Latvian media environment, and these changes will dictate the development of the media system in the coming years.

Although there are similarities within the development of Baltic media market since the regaining of independence in 1991, it must be noted that the economic recession left a different mark on each country's advertisement market.

Keywords: media system, pluralism, media concentration, media ownership and power.

Introduction

Baltic mass media during economic recession (2008–2012)

As the overall economic and political climate determines media development trends [McQuail, 2005], Latvia's media transition analysed in this article, evaluates if and how the economic recession influenced the structure, practice and content of media.

Although the media structure in each of the Baltic States is noticeably different, there are common trends regarding the development of media structure: the current system originates from the privatisation that followed the regaining of independence in 1991, transformation of Soviet media and the creation of a system based on free market principles. The media systems of the Baltic States formed simultaneously; however, three separate markets should be considered, as each country has several unique features, related to the structure of the audience, cultural differences and openness to technological advancements [Balcytiene, 2009].

The transition period of Baltic media system discussed in this article has seen all three countries adopt terrestrial digital television service, which has changed the structure of TV market, as well as the behaviour of the audience. Every commercial broadcaster has to compete for a place in the market; as in the climate of limited investment public service broadcasters are losing part of their audience. Simultaneously, print and broadcasting media firms have developed their Internet platforms and opportunities offered by Internet TV.

In order to fulfill the main aims of this article, data from Registers of Companies of the Baltic States, statistics data and other publicly available information were used, as well as interviews with the representatives of media organisations, analysing the transformation of the media market on both a macroeconomic and microeconomic level. As Lithuania and especially Estonia, media system retained its partial stability during the economic recession; this article largely uses data describing the transformation of the Latvian media system.

Common features, characteristic to the development trends of the region, as well as processes regarding global media climate are also significant. In the Baltic media market, similar to other post-communist countries, the co-operation between the media and political representatives is still essential [Nagla, Kehre, 2005]. The development of the Baltic media market is connected to the rapid development of regional and global social media, the shift of media use habits, the redefining of journalism in conditions of media convergence and synergy of content delivery.

Unlike other areas of business, where the potential to expand outside the national or regional market is determined by economic factors, the potential for media system development in the Baltic States is vitally important due to the relatively small eventual media audience in every country (population of Latvia – 2 million, Estonia – 1.8, Lithuania – 3.4 million) and the language of presentation used by the media. Baltic media audience is separated according to the territory of each country, as well as by the language, creating parallel media markets in every country (predominantly in Estonia and Latvia) [Nagla, Kehre, 2005]. If Lithuanian media recipients are mostly homogenic in regards to the language, the media audience and the business environment of both Latvia and Estonia is separated in Latvian or Estonian and Russian media. For example, most media companies in Latvia offer media products only in Latvian or Russian. Exceptions are several publishers of consumer magazines or internet news sites (delfi.lv, tvnet.lv, mixnews.lv), which offer different content for Latvian and Russian speaking readers.

Divided audience decreases the possibility to create prosperous media business models even more and has made media dependent on the ability to attract advertisers, as media income is dominated by advertiser investment into content not payment by the audience. In turn, the Baltic advertising industry is dominated by a handful of international companies, representing global brands and the activities of which are not directly related to economic processes in smaller regions of the world (the greatest part of investment in the advertising industry is represented by global telecommunication, hygiene, non-prescription drug, cosmetics, retail, food, non-alcoholic beverages and entertainment industries) [Vendele, Rumpeters, Krigere, 2012].

On the other hand, the extent of the audience does not exclusively determine the Baltic media health. For example, Estonia, which has the lowest number of inhabitants of the three Baltic States, compared with Latvia and Lithuania (with 5% advertising market growth in both countries), had the least media market decay, as well as had the greatest growth in 2011 – the market increased by 9%. These differences may be explained by the difference of media culture and audience media usage patterns in each of the Baltic States. In Estonia, compared with Latvia and Lithuania, newspapers and public media have been able to attract a larger share of the society than in Latvia and Lithuania. Firstly, Estonia has a higher level of trust in media; printing of daily newspapers even after the drop during the recession remains the highest in the Baltic States, Estonians regard Estonian public television and daily *Postimees* as the most reliable sources of information [Vihalem, Lauristin, Kouts, 2012]. Secondly, Estonian PSM is financed by the state in its entirety, it is not involved in the advertising market, thus the level of commercialisation in its content is lower than Latvian and Lithuanian PSM that simultaneously try to perform the functions of public media and compete for advertising investment with commercial media by offering entertainment shows, soaps

and other programmes suited for mass audience. Estonia is the smallest of the three Baltic States; however, it has the largest amount of available funding as well as the highest television audience share [Lohmus, Tiikmaa, Joesaar, 2010]. In 2010 ETV (Estonian PSM) attracted 17.4% of audience share, Latvian television (two channels) – 13.6%, Lithuanian television (two channels) – 12.1% of audience share.

Disregarding the fact that the economic structure crates restrictions for media development, liberal legislation and the overall low barriers for breaking into the market has encouraged development of an extremely diverse media system in the Baltic States, which contains many players, but few media business strategies. In fact, each of the media market segments (newspaper and magazine publishing, commercial radio and internet news providers) is filled with many media organisations. Nevertheless, similar to other countries, the media market is predominantly oligopolistic [Albarran, 2002], namely, within each media type exist few influential players, which attract the greatest audience, as well as most of the advertising revenue. Overall the Baltic media system can be described as “ideas of liberal corporativism” [Balcytiene, 2009: 41–42], as the media ownership and performance regulation are very liberal, but the government has limited ability to interfere in the operation of media. According to the evaluation by Henrik Ornebring, Estonia has the most similarities with the liberal system; Latvia has some with the liberal system and Lithuania with the polarised pluralist system [Ornebring, 2011a, 2011b, 2012].

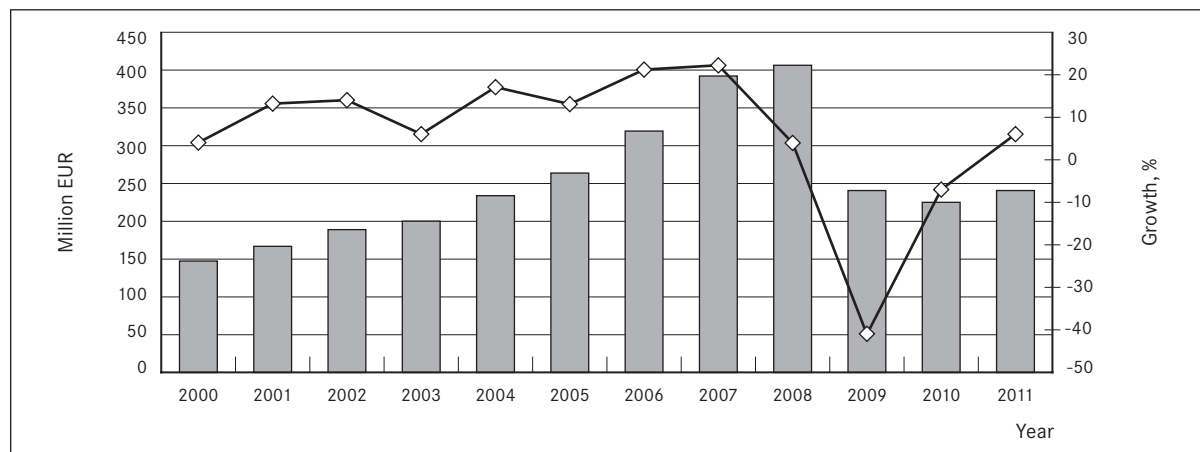
The level of commercialisation of the Baltic media and market-oriented logic in Lithuania, Latvia and Estonia [Balcytiene, 2009] has created mass media environment, in which a weak journalist professional orientation and content creation, dependant on commercial interests, is more valued rather than reflecting the professional interests of journalists.

Although the idea of irreplaceability of journalism in the development of democracy and the social responsibility [McChesney, 2002; Perse, 2006] is prominent, the research of Baltic media content and practice regularly indicates problems with media responsibility [Brikse, Sulmane, Tjarve, 2002; Rosslund, 2005; Balcytiene, 2010] and accountability.

At the start of the economic recession, the economies of the Baltic States rapidly decreased: the GDP, amount of both export and import declined, unemployment increased, advertising waned, and as means of universal economic revival, a firm budget consolidation was used. Media market reacted with a noticeable reduction of production: newspapers were issued less frequently, newspapers and magazines decreased the amount of pages (by 30–50%), and broadcasting media decreased the amount of original content. Journalism work market decreased as well – media organisations reduced the amount of workers and affected salary cuts.

Even more severe was the effect on advertising: in 2009, the market, on average, reduced by 46% in Latvia, 32% in Estonia, 35% in Lithuania [Kantar Media, 2012] (Figure 1).

Figure 1. Advertising expenditure 2000–2011. Baltic trend



Source: Kantar Media.

Paradoxically, at the beginning of economic recession media recipients maintained their media usage habits, the majority of media retained their audience. Due to the reduction of advertising investment and the amount of original content, Latvia retained a stable amount of television viewers, radio listening and magazine reading habits. Meanwhile, an increasing part of media audience acquired the necessary information from social media. Dailies in both Latvian and Russian continued to lose audience share. Conventional media continued the development of their Internet sites, because during the second phase of recession (beginning in 2010), media organisations were forced to work in a situation when the inhabitants of the Baltic States receive most of their daily informational load from the Internet. The overall media audience is affected by the reduction of permanent residents due to economic emigration. In addition, fragmentation of audiences is noticeable, as well as creation of niche media on the Internet; nevertheless, advertisers invest in mostly a handful of the most influential Internet news media providers – those that are able to attract a mass audience. The quality of journalism and the ability to create content responsibly in Internet media reduces, as a larger audience is attracted by celebrity-oriented, sensationalised and dramatised content.

Therefore it is valid to consider that the economic recession reduced the quality of media content and the ability to fulfill their function of social responsibility in a democratic society, as Baltic media representatives find it harder to answer the question “Who would pay for good journalism?” [Salovaara, Juzefovics, 2012]. In a climate of media market orientation, audience can influence quality of journalism only to some extent [Rozukalne, 2009], as media content is predominantly influenced by such factors as advertisers, competition and media owners [Croteau, 2000; Croteau, 2001; Harcup, 2005]. In an environment of decreasing media market, media firms tried to retain the existing media product audience and develop their online presence, thus making editors and producers responsible for achievements in the media market. Therefore, during the economic crisis, previously noted trends of secularisation manifested themselves, as a result of which, media organisations mostly tried to follow the interests of the majority of the audience, rather than principles of professional journalism.

To summarise, for more than a decade, as a result of media commercialisation in the Baltic media environment, media have partially forgotten the ideals they strived for in the 1990s – free, quality and socially responsible media, as media was the main actor in both regaining of the independence, as well as the development of the newly founded countries. Economic recession and the actual media practice asks a question, how media system has changed, along with the understanding of free press and if it has distanced itself from the ideal model, when freedom can have differing aspects and versions; however, it is a “condition, not criteria or a performance” [McQuail, 1992;:193]. Recently the hardship created by the economic recession, forced to review the aforementioned ideals and search for new operational goals, as well as simultaneously seek out new business models, which allow existence in an unstable economic situation.

Discussion

Media ownership changes in Latvia

The main changes the economic recession brought into the media environment were the changes to the ownership structure of Baltic media. Lithuania and Estonia retained stability regarding this matter, but the greatest changes, referred to as “tectonic fluctuations”, happened in Latvia, where only the regional media system remained stable in regards to ownership structure.

The system of media ownership structure fluctuated in two main directions, which are related to the neighbouring countries factor [Salovaara, Juzefovics, 2012], where the greatest attention came from Russian and Scandinavian businessmen.

Firstly, the owners of the most important media organisations changed – the greatest changes being related to the activity of Scandinavian media corporations in Latvia. One of the founders of democratic press, active in Latvia since 1992, Swedish Media Corporation Bonnier AG left the Latvian market, while other notable Scandinavian companies found an opportunity to invest in Latvian media organisations.

The greatest changes were introduced by Bonnier AG, which sold joint stock company *Diena* to a new owner, of which the discussion about its financial origin and identity is yet to cease. At the start of 2012, Riga Trade Port confirmed their ownership of *Diena*, but it is still unclear which individuals are behind the ownership deal of the largest media organisation in Latvia. This deal was associated with an individual influential in Latvian politics and business, related to the interests of the three oligarchs – former prime minister and politician Andris Skele, businessman and politician Ainars Slesers, mayor of port city Ventspils and businessman Aivars Lembergs and their desire to neutralise media, which with its principal stance and criticism, interfered with the untroubled action of the aforementioned politicians-cum-businessmen. The connection between the three Latvian oligarchs and the ownership change of JSC *Diena* was indirectly indicated by the changes in leadership of JSC – several other managers of companies connected with A. Skele, A. Slesers and A. Lembergs were added to the board.

This event shook the Latvian media environment, where *Diena* had a special role – it dictated standards of journalism and acted as an agenda setter, offered new media products and tried to affect the quality of Latvian politics. After the sale of the above-mentioned newspaper to unknown individuals, its role has changed. This newspaper has not been able to define significant values which would retain the attention and trust of the audience. The largest and the most influential periodical *Diena*, which at the start of the 1990s established Western traditions of quality journalism and overall media conduct, is currently trying to regain its reputation and audience as well as stabilise its difficult financial situation, but has lost its influence. Investigating the consequences of this deal, a conclusion can be made that foreign owners, who are not involved in nation political processes, can maintain superior quality media content in Latvian media [Salovaara, Juzefovics, 2012]. However, risks to the stability of the media system are created by economic uncertainty, forcing foreign media owners to quickly leave the unstable media market.

In turn, other Scandinavian businessmen used the severe economic situation of Latvian media during the recession, to search for beneficial investment opportunities. In 2011, Norwegian media corporation, which has already actively operated in Estonia and Lithuania, purchased Internet news site *tvnet.lv* (second in audience share, behind *delfi.lv*, owned by Estonian Express Group), which used to be owned by Independent National Media, which incorporates the largest national commercial television broadcaster LNT. Finnish media corporation *Sanoma News* purchased the third most influential Internet news portal *apollo.lv*, which used to be owned by the national telecommunications company *Lattelecom*.

These proceedings have forced newspaper and magazine publishers and broadcasting media to establish and boost their Internet sites. However, Internet news services lack in original information, as the majority of Internet content is dominated by content aggregators, which predominantly publish information created by news agencies and other media, offering a unidimensional view on current affairs. An exception is Estonian public media site *err.ee*, which has been able to gain influence, retain audience and quality of content during the economic recession, and its operations demonstrate the healthiest media environment in the Baltic States, as well as content and influence corresponding to the tasks of public media.

A significant step by Scandinavian investors was the readiness of the Swedish media corporation *Modern Times Group*, to acquire the largest commercial television station LNT (including the subsidiary regional channel TV3 and Channel 2 that provide entertaining information for young audience). This deal was encouraged by the inferior state of the advertising market, great financial losses of TV3 and LNT, but as a result could create a serious media concentration, as the MTG owned television stations are in possession of more than 35% of the audience share and the majority of TV advertising share. This particular purchase has been approved by the Council of Competition of Latvia in May of 2012. The result of this deal will be the choice between the existence of powerful media, which could offer local content, and threat to diverse opinions. This deal threatens the chronic inability to gain influence and stop the reducing audience share by the financially struggling public media. Therefore, even after the economic recession, a trend that leads to the creation of media empires will continue [Balcytiene, 2010], corporative control [McChesney, 2008] and increase in uniformed content.

Analysing the Baltic media market as a whole and each country's individual market, the number of media and their owners in each market segment are adequate to be able to assume a sufficient level of pluralism [Compaine, Gomery, 2000]. Although the number of channels discussed in this analysis cannot be the only criteria for diversity of opinion, as media content research indicates that the aim to achieve a larger audience, unrelated media channels and products offer similar content, which ensures identical functions of media operation and satisfies the similar needs and wishes of the audience. This trend became more prominent in the Baltic States during the recession, emphasising discussion whether enough diverse content is available.

Secondly, as investment into Baltic media organisations was initiated by representatives of Russia and former members of CIS, suspicions were raised, in relation not only to their business interests, but their potential desire to influence the political process (especially in Latvia and Estonia). In Latvia, where the media and the audience are strictly separated by language, the owners of Russian language press also changed, for instance the newspaper *Chas* (An Hour) (previously owned by Latvian publisher Aleksejs Seinins and publishing house Petit) and the newspaper *Telegraf* (previously linked to the owner of Baltic International Bank Valerijs Belokons). Significantly, the information about the owners of both newspapers has been variable and contradictory. Even now, there is no clarity over the owners of *Telegraf*, while *Chas*, which was temporarily owned by Ukrainian based Leg Bank, is currently in control of a sole owner – an off-shore company Lanchrome Limited.

In turn, the biggest Russian language newspaper in Latvia *Vesti Segodniya* (News Today), owned by Andrejs Kozlovs, a politician, has stood for multiple National and European Parliamentary elections from political parties representing the Russian speaking electorate, currently an elected member of Riga Municipal Council from the party Harmony Center that has a cooperation agreement with Putin's party United Russia, went through the recession largely unscathed. *Vesti Segodniya* popularises party *Saskaņas centrs* (Harmony Centre) and its ideas and personalities, the head of the newspaper's politics and publicity department is the Member of Parliament Nikolajs Kabanovs, a member of Harmony Centre. He has been elected to multiple terms of parliament, therefore for over a decade the person responsible about covering politics in the aforementioned newspaper, has been a politician [Rozukalne, Krebs, 2011]. *Vesti Segodniya* openly supports those political parties which seek the support of non-Latvian voters.

The Russian language newspaper was the only one to successfully survive the economic recession, thus it is possible to assume, that it is creating a monopoly in the market of Russian language periodicals. It was confirmed by a serious concentration of Russian newspapers in the market: at the end of 2012 *Vesti Segodniya* changed owners as well, with the editorial office merging with the offices of *Chas* and *Telegraf*. As a result, at the end of 2012 *Chas* was closed, making the decision to publish just *Vesti Segodniya*, but *Telegraf* continued as a weekly newspaper. Therefore, three Russian language dailies were acquired by off-shore companies based in Cyprus (Table 1). In 2012, leaked but unconfirmed information suggested that the publisher of *Vesti Segodniya* and two other major Russian language publishing houses (Petits, the publisher of the daily *Chas* (Hour), and News Media Group (*Telegraf*)) had been taken over by companies that were owned by the former Russian Senator and billionaire Andrei Molchanov.

Table 1. Owners of the Russian language newspapers in Latvia

Newspaper	Company name	Owner (2012)
<i>Vesti Segodniya</i> , daily	Mediasistemas, Ltd.	Lagrau International, Ltd., Cyprus
<i>Chas</i> , daily	Petits, Ltd.	Lanchrome, Ltd., Cyprus
<i>Telegraf</i> , weekly	JSC News Media Group	Kinonon Holdings, Ltd., Cyprus
<i>Busines & Baltija</i> , business daily	BB Practicum, Ltd.	Boltext Ltd., Panama Corporation Farronica, Ltd., Cyprus
<i>MK Latvia</i> , weekly	JSC Baltic Media Alianse	Oleg Solodov – 50%; Alexey Plyasunov – 50%

These proceedings raised the discussion about the influence of politicians on media and the necessity to review mass media legislation, to request publishing of information regarding media owners, the real beneficiaries of media and to investigate the origin of the financial means to acquire media organisations. These questions are relevant in Latvia, as joint stock companies are not required to provide information about the make up of their shareholders, while several individuals connected to political activity hide their position as owners of media organisations through trust treaties, made with individuals connected to the real owners of a media organisation.

Although various research indicates [Compaine, Gomery, 2000] that the influence of owners on media content is often exaggerated, in the Baltic media environment, where much of the influence lies within the political ranks, the classical law [McQuail, 2005] is relevant that media content entirely reflects the interests of its owner. Various owners, their aim in the market and the implemented strategies appear as different approaches to reflection of reality. Owners of independent national media try to compete in the market, therefore their content reflects the influence of commercialisation; however, these media organisations, just like the Scandinavian owned companies, try to ensure pluralism and responsible content. Media linked to politicians represent political interests, simulating diversity of opinion and objectivity.

Development of political parallelism in the Latvian media environment

Political parallelism, the relationship between politics and media, is usually explained as a process, during which media transforms from mediators of society and politics into a part of the political system themselves [Hallin, Mancini, 2004]. The influence of politicians on the Baltic media has several significant features. This peculiarity is defined by the small and weak media market, as a result of which, media find investment from politicians (and businessmen who sponsor political parties), as well as the trend that a part of media organisations are established with an aim to represent views of a political party, rather than offering diverse, objective and socially responsible information. As already cited, the links between politicians and the media are thoroughly hidden. The majority of media that is dominated by content that represents the interests of a political party, identify themselves as independent members of the media market, and insists that their content represents the interests of the audience. However, journalist polls and other information indicate that these media organisations exercise their strategy by mixing neutral and politically influenced information [Rozukalne, 2011]. Although sometimes journalists are not fully informed about the owners of media they work for [Nagla, Kehre, 2004], interviews with journalists indicate that media professionals are fully aware of what sort of interests they are required to represent, which politicians need to be endorsed or criticised in their content. Analysing the relationship between media and politicians before and after the Latvian parliamentary elections in 2010, it turned out that five leading political parties have some sort of influence on the content of the largest media organisations in all segments in both Latvian and Russian language [Rozukalne, Krebs, 2011].

Several examples indicate that during the economic recession part of the media in the Baltic States, agreed to co-operate with politicians in order to achieve financial gain, thus strengthening the clientelism pattern [Balcytiene, 2010; Roudakova, 2008] in media operations. Great significance, in regards to this, was associated with operations of First Baltic Channel (FBC) in the Baltic region [Springe, 2012] which mostly rebroadcasts programmes created in Russia. Although this channel is owned by two individuals, its programming is blatantly popularising the interests of "Russian" parties in the Baltic States, and is particularly favourable about the party Harmony Center, which is represented by the Mayor of Riga Nils Usakovs. In Latvia, where approximately 40% of the population is native Russian speakers, at the start of 2012, FBC had the third largest audience share [Vendele, 2012], beating national commercial channels and public broadcasters.

In addition, during the economic recession, political influence increased in the regional media, which is usually regarded as highly trustworthy by the Latvia's audience, as it can offer unique information. Many of Latvia's regional newspapers, particularly in Vidzeme and Zemgale, as well as Kurzeme apart

from Ventspils Administrative District, are fully or partly owned by editorial staff, and they try to offer diverse and professional journalism. The regional press enjoys much audience trust, because it can offer original and unique information.

Eight of Latvia's regional newspapers are part of the *JSC Diena* regional press group, and of great importance in their development has been the investment which the influential media organisation has made in the development and design of regional newspaper content. The biggest challenge for regional newspapers; however, is to avoid excessive dependency on local politicians, because most of the newspapers were established as a result of the privatisation of former local government publications.

The stability and independence of regional media is threatened by the duty of local municipalities to offer information to the local residents. Therefore, locally published free newsletters and websites are being used to popularise local politicians. Several regional media organisations are even illegally practicing attraction of advertisers, thus further endangering the regional media business.

However, the ownership structures of regional media, especially broadcasters, are filled with local politicians and even municipalities. Local TV companies belong to one or more owners, are small, and usually operate as producer groups, not as media outlets. Others partly belong to local governments, providing services in relation to their informative and political needs. An exception is the powerful *Vidzeme TV*, which belongs to several businesspeople and companies. In Latgale, all of the local television stations are linked to local governments. Jēkabpils City Council, for instance, is among the owners of *Vidusdaugavas TV*. In Vidzeme, *Ogre TV* and *Rūjiena TV* both partly belong to administrative district councils. A similar situation exists elsewhere. The relevant city councils own *Aizpute TV* and *Skrunda TV* that operate in Kurzeme region. When local governments own media outlets, they often use them to strengthen their political influence, and that has led to questions about the misuse of administrative resources in politics.

Latvian mass media market after economic recession

It might be an exaggeration to suggest that the global economic recession has ended. However, macroeconomic data indicate a slow, but steady economic growth in the Baltic States.

Actually, Latvian media has not recovered from the advertising market drop of 46% in 2009, as well as traumatic ownership exchange deals. The Baltic media advertising growth continued in 2011; however, it was and still is excruciatingly slow – the market grew by 6% [Rumpeters, 2012] (Figure 2). The business model implemented in the Baltic media system is dependent on advertising revenue or unknown sponsors, therefore the economic recession greatly affected the media.

The important problem of Latvia's media environment is the small number of powerful advertisers. Therefore, media professionals will greet every offer of investment, including from advertisers that might influence the content, with open arms. The high level of media content commercialisation might be one of the most stable trends. It reduces the journalistic quality, forcing to seek new models of funding. Possibly, different from infotainment and entertainment, quality analytic and investigative journalism, cannot attract a greater audience share that could, up until recently, be criticised for choosing entertainment and seeking the easiest way regarding media consumption. However, it does not mean that the most powerful consumer magazines have to worry – their loyal audience will continue the relationship. *Lifestyle* and other magazines are the only ones which will be able to compete with the Internet for the attention of youth audience and its money [Rozukalne, 2010c].

Even executives of mainstream media will be involved with Internet projects. They have not received credible information about income opportunities on the Internet; nevertheless, they will continue or energetically start investment into Internet projects. It is true that only a handful of Baltic media have found a business model suitable for the Internet. Commercial educating courses about income options of Internet media, from a business perspective, could be more convenient than the creation of virtual media. Therefore, an increase of content quality of Internet media cannot be expected – lack of funding, vivid belief of editors that the Internet is not suited for quality journalism.

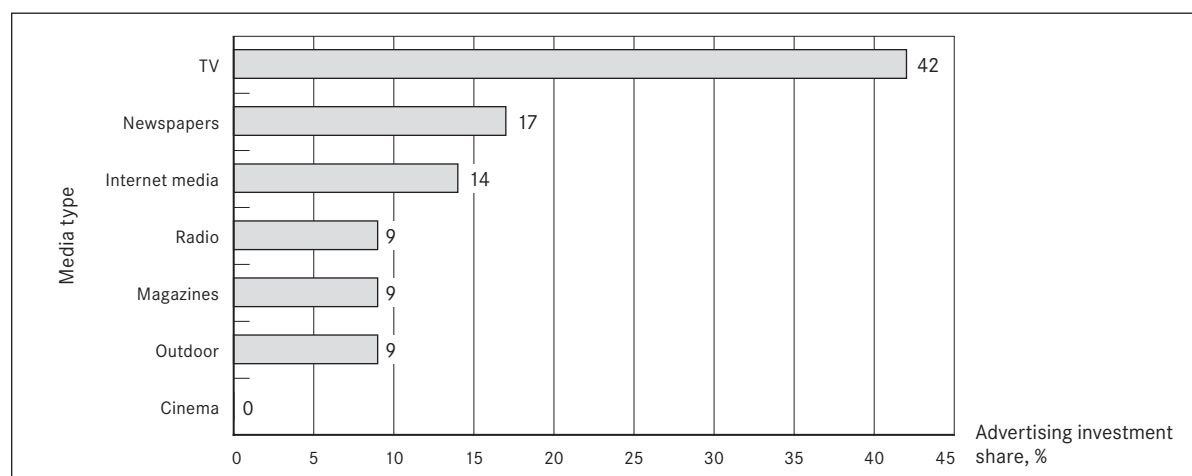
Media employment market has recovered; however, relationships within it have changed. Media management expect that journalists, in a small time frame, can inexpensively produce a large amount of audience requested content, working for small wages and in an unstable workplace. This situation reduces

the level of editorial independence [Salovaara, Juzefovics, 2012]. During the economic recession wages of journalists, editors, producers declined by 20–40% (by the most in Latvia). Serious journalism in Baltics will survive on investment by target projects and various foundations in the future.

Russian language media environment in Latvia is characterised by following trends: Russian speaking audience is attracted by content created by TV channel based in Russia; the readership of daily newspapers is decreasing; news and discussion forums, which try to broaden the spectrum of information and opinion, in Russian (for example, mixnews.lv, focus.lv, imhoclub.lv) are developing. The largest news sites (delfi.lv, tvnet.lv) develop content aimed at a Russian audience. Financially weakened public media cannot efficiently address various audiences in Latvia; therefore, the divide between residents of a single country, who communicate in different languages, will not reduce. This divide does not only crumble the media business, but the overall understanding between ethnic groups in the society, since the audience of newspapers has declined, they play a smaller role in regulating the public opinion [Rozukalne, 2010a], as this task has been taken over by Internet media.

Consumer magazines have retained their market share, with international formats gaining further significance (such as *Playboy*, *Forbes*, *Cosmopolitan*, *Illustrated History*, etc.). However, the interests of magazine readers are changing: fans of consumer and lifestyle magazines that had made an impression of wanting to receive only entertaining and shopaholism endorsing glamour content in glossy covers, are more and more starting to care about analytic information, offered by a handful of weeklies, playing the role of a local *The Economist* in the information market.

Figure 2. Distribution of advertising expenditure between different media in the Baltic States, 2012



Source: TNS and LRAA, 2012.

Conclusions

The discussion about the role of public media and their business models will continue, as unified public media already operates in Estonia and Lithuania; discussions about the concept of a new public media model are ongoing in Latvia.

Various indications show that the proportion of foreign media owners will increase. The market, in this regard, is barely regulated, Baltic media organisations can be purchased by foreign banks, off-shore companies or international corporations. Media organisations, weakened by the economic recession, have been looking for the investment for a long time. This process is delayed only by the question of price – not all current owners are ready to sell the companies for the price of the accumulated debt. New media owners, just like during the recession, are expected to come from Scandinavia and Russia. The interest of Eastern neighbours about Latvian media is persistent, media companies are bought like a nice brooch, along with companies from other business areas.

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Concept of Anarchism in International Relations Theories: Critical Remarks

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Abstract

The concept of anarchism in international relations (IR) theories is based on subjective interpretation of K. Waltz, who borrowed the idea from the out-of-date British anthropologists' works. The concept is limited to very specific expertise of some anthropologists concerned with the "uncivilized" societies, and cannot serve as a universal tool to describe social relations, even less reason to extend it to relations between states. Moreover, the concept is a result of a basic misinterpretation of term anarchism in political realm. In today's science, the concept has become a stumbling block for the creation of an IR theory that meets the requirements of the time.

The article takes descriptive approach.

Keywords: anarchism in IR, tropical anarchy, IR theory.

Introduction

Every scientific discipline has its own set of firm beliefs. The central point of the international relation (IR) theoretical field is the concept of anarchy. It is supported by realists, neorealists, liberalists, neoliberalists, the British school of IR, constructivists.

This publication is devoted to the deconstruction of the concept, demonstrating its historical roots and fundamental misinterpretations.

Term anarchism in political thought

Prior to its inclusion in the IR theories, the word 'anarchism' had a century-old tradition of use as a term of theoretical and practical politics. The article does not discuss the precursors of anarchism who built its ideological background for centuries, but it takes as its starting point the name of Pierre Joseph Proudhon, who, in the first half of the 19th century, coined the term in the political vocabulary.

Giving the definition of the word, he stated: "Anarchy is .. a form of government or constitution in which public and private consciousness, formed through the development of science and law, is alone sufficient to maintain order and guarantee all liberties .. The institutions of the police, preventative and repressive methods officialdom, taxation etc., are reduced to a minimum .. monarchy and intensive centralization disappear, to be replaced by federal institutions and a pattern of life based upon the commune" [1].

Thus, we can see that the meaning of the word 'anarchy' has been associated with the idea of political progress "through the development of science and law". Anarchy assumed a particular form of government, not its absence, which would guarantee social order and individual freedom. Organisationally

it presupposed to reduce the role of intensive centralisation in favour of expanding the functions of federal institutions, in which life was built on the principle of a commune. Freedom, according to Proudhon, cannot exist apart from the laws of economic relationships in society, which he defined as mutualism.

Further development of the political ideas of anarchism in the 19th–20th centuries went in different directions, but the main vector, specified by Proudhon, in various forms retained its significance.

In the 19th century Europe, “anarchism reached the level of articulation that distinguished it as a serious political theory” [2].

One might assume that the inclusion of the term ‘anarchy’ in the scientific vocabulary of IR occurred as part of political discourse going back to Proudhon. However, the reality was more complicated. In IR theory, this term appeared without any connection with the political theory of anarchism, which by then had already a 100-year-long history.

Inclusion of the term anarchy in IR theories

Understanding the concept of anarchy in IR is usually limited to the mechanical interpretation of the constituent parts of the ancient Greek word anarchism as “en” (“no”, “no”) and “arche” (“power”). In its most general form, this term is intended to denote IR realm with politically autonomous actors, where no authority has enforcement power over others.

It is generally accepted that the concept of anarchism in international politics has its origins in the works of Hans Morgenthau. Voices of scientists, pointing out that Morgenthau is only indirectly related to it, get lost in the testimonies of those who consider it important to strengthen the concept of using the authority of the founder of realism. In order to show that this opinion is rather disputable, the author of the article refers to the findings of two researchers, Hartmut Behr and Amelia Heath: “.. it is not the case for Morgenthau. As far as we see, the term anarchy is mentioned in “Politics among Nations” only three times; .. the term anarchy is neither to be found as an empirical feature of international politics in Morgenthau, nor as a theorem in his “Six Principles of Political Realism”. Therefore, it is unclear why these misperceptions came into being and have been accepted as canonical narratives” [3].

Even Morgenthau did not seem to protagonists of these “canonical narratives” strongly enough embedded in history. Therefore, in order to prolong the line of development for another couple of centuries, the philosophy of Thomas Hobbes has been selected. In textbooks and handbooks as unshakable truth the prominent role of the English thinker in the formulation of the concept of anarchism in IR is described, despite the fact that the philosopher himself did not speak about it. How the words of the philosopher about the order could be interpreted in the sense of anarchy in IR has been demonstrated by the recently published Encyclopedia of International Relations: “Hobbes was the first modern political philosopher to describe international relations as anarchical [Sic! – J. S.]. While it is true that his political philosophy is primarily concerned with the problem of order [Sic! – J. S.] within the state, his description of the international “state of nature” has had a major influence on the development of international relations theory” [4, 2].

A sort of scientific romance, forcing scientists to cover by the patina of time a specific concept, cannot obscure the fact that the concept has been introduced into IR by Kenneth Waltz in his book “Man, the State and War: A Theoretical Analysis” (1954). The work has opened the era of neo-realism in IR theory, the starting point of which was the allegation that the international system, by its nature, is anarchic.

Theory of anarchy, Waltz and anthropology: genetical narrowness

It can be considered a paradox, but the inspiration for his concept of anarchism Waltz drew not from the political anarchism, but from the works of early British social anthropologists of the 1930–40s, who studied Sub-Saharan African and Oceanian societies using the scientific tools of their science. How the ideas of anthropologists had been transferred to the field of IR, was showed by Aaron Beers Sampson,

who made “a brief excavation of British social anthropology from A. R. Radcliffe-Brown’s studies of Oceania to later representations of African political systems by Meyer Fortes, E. E. Evans-Pritchard, and Siegfried Nadel” [5].

From the anthropologists of the time Waltz borrowed the concept of tropical anarchy, which they invented to describe the social organisation not to be defined in Western political terms. In contrast to the idea of political anarchy by Proudhon aimed at creating a progressive form of social existence, anthropologists interpreted anarchy as an attribute of “primitive” people and societies living under the laws of nature.

On the one hand, anarchy has been understood by Waltz as a sign of primitivism of domestical polity of some exotic societies, but on the other hand, being extrapolated to the realm of IR, it has come to mean that the relations between international actors was also quite primitive. It should be recognised that the motivation for the transferring of scientific concept, which grew out of observations of the lives of African peoples to the area of international relations is not entirely clear.

Together with the concept of tropical anarchy, in IR there has been introduced the logic of the colonialists: such ideas as the original inequality of actors of the international system, of which ones, “states” initially objectively adjusted to the rule and domination of others, “non-states” (such as Sub-Saharan African societies), in turn, the latter, because of their underdevelopment are less likely to fight for their existence in an anarchic international environment, thus should be patronised and led. According to Waltz, “if might does not make right, whether among people or states, some institution or agency has intervened to lift them out of nature’s realm”.¹

K. Waltz proposed to consider the hierarchy to be the main attribute of the state, but at the international level – the state’s ability to advance its interests in anarchy when everyone is fighting only for himself. He stated: “We abstract from every attribute of states except their capabilities”.² K. Waltz declared that the criterion for determining the place of an actor in an anarchic system of international politics is “greater or lesser capabilities for performing a similar task”.³

From the same social anthropology Waltz borrowed the idea of “white man’s burden” and its civilising mission in the anarchic system. In his view, the United States must inherit this burden from the former colonial powers: “England claimed to bear the white man’s burden; France spoke of her mission *civilisatrice*. In like spirit, we [the USA – J. S.] say that we act to make and maintain world order”.⁴

Other IR schools with regard to the concept

It is difficult to find a scientific school of IR which would not have used this concept.

Supporters of offensive realism, who continue the line of K. Waltz also share the opinion of the anarchic (and hence, in their understanding, dangerous) international world, and therefore believe that true states have the right, and should aim for the maximisation of their strength (John Mearsheymer, Fareed Zakaria).

In the late 1970s, the word anarchy became the property of the British School of IR which was marked by the publication of Hedley Bull’s research work. It should be noted that Bull did not describe the anarchic system, but instead, the anarchic society of states, underlying that the notions of society and system he used were to be treated in different ways. He defined international system as states in their mutual connections.⁵ Out of the total field of the system, he singled out the international society of states. However, anarchic by its character a society presupposed the existence of rules and institutions.⁶ Despite the fact that Bull relegated the concept of anarchism to second place, he did not abandon it.

¹ Waltz K. N. Theory of international politics. – NY: McGraw-Hill, 1979. – P. 112.

² Ibid., p. 94.

³ Ibid., p. 92.

⁴ Ibid., p. 200.

⁵ Bull H. The anarchical society. – 2nd ed. – London: Macmillan, 1995. – P. 9.

⁶ Ibid., p. 13.

Renounced the realist paradigm, constructivists, nonetheless, preserved the concept of anarchy; however, putting it “upside down”; in contrast to the realists who believe anarchism to be an objective fact, constructivists have proclaimed that anarchism is created by the states. In IR theory it is hardly possible to find a more well-known maxim than that which belongs to Alexander Wendt: “Anarchy is what states make of it” [8]. Explaining his position, he asserts that “anarchy *as such* is an empty vessel and has no intrinsic logic; anarchies only acquire logics as a function of the structure of what we put inside them” [9]. This leads to the conclusion that, according to Wendt, actors of the international system create it and create anarchy on the epistemological level (or as Wendt puts it, “collective cognition” [10]), beyond which any conclusion about international relations, devoid of meaning.

Being an opponent of neo-realists, Wendt, however, contributed to the demonisation of anarchy of the IR. “Anarchy makes the international system among the least hospitable of all the social systems: from institutional solutions to problems, encouraging actors to rely on power and interest instead” [11].

Constructivist Nicholas Onuf, who rolled out a theory of IR in the direction of the analysis of language, did not dare to abolish the concept of anarchy of the international system (it should be noted that the word “system” which, in his opinion, has no clear meaning was preferred by the term “social arrangement”). To adjust the concept of anarchy to his theory, by and large, useless to him, Onuf had to offer new interpretations of the idea of anarchy in IR. One of his most original interpretations proposed by him is to ensure that “the international anarchy is a social arrangement – an institution – on a grand scale”⁷.

In the above quotation, Onuf equates anarchy with “an institution”, in other sections of his work, he declares that under anarchy one should understand that “states are sovereign”, and that anarchy is “a structure”, which “rules the day”. He argues: “The term *anarchy* points to a condition of *rule* among states in which no one state or group of states rules over the rest. It also implies that there is no institution above states ruling them. When we say that states are *sovereign*, we are saying the very same thing. By calling international relations anarchic, scholars are not saying that there is an absence of rule. This would be chaos, not anarchy. Instead, they seem to be saying that structure – and especially a stable pattern of unintended consequences – rules the day. In the same sense, we might say that the market rules the behaviour of sellers and buyers”⁸.

Liberal institutionalists (Robert O. Keohane), who are normally considered to be an antipode of realists, however, borrowed from neo-realists the concept of anarchism. The difference between the two approaches does not regard the concept as such, but rather the concomitant problem as to whether the states are doomed to constant war, or there can be cooperation and peace within anarchy. Neo-realists give negative answer. Liberalists are more optimistic, arguing that international institutions and democratic states can provide conditions necessary for peaceful coexistence. However, the concept of anarchy remains untouched.

One might find it ironic that the theory of democratic peace, which became popular in the early years of the 21st century, is rooted in the idea of tropical anarchy, because it declares that there is a democratic, “civilised” countries, which have always coexisted peacefully, and there are countries that do not fit this definition and, respectively, anarchist, and, therefore, charged to the war. To bring them out of “nature’s realm”, it is appropriate to recall the “white man’s burden”.

Problematic concept

The concept of anarchism now exists in two main guises; first, as a logical extension of the idea of tropical anarchy, and, second, as an attempt to overcome the same idea, to some extent preserving the word.

⁷ Onuf N. Constructivism: A User’s Manual // International Relations in a Constructed World. / Editors: Kubáľková V., Onuf N., Kowert P. – Armonk, NY: M. E. Sharpe, 1998. – P. 63.

⁸ *Ibid.*, p. 62.

In the first case the concept is firmly bounded to orientalism, colonialism, inequality. In the second case, the concept of anarchy comes into conflict with the meanings that are invested in it by such authors as Wendt and Onuf. Reading the famous phrase of Wendt more closely that “anarchy is what states make of it” cannot with certainty know how a state can create anarchy that by definition does not agree with the state and its functions as such. Both in the first and the second case, the concept is an obstacle to the creation of modern IR theories.

Genetically concept of anarchism as a scientific idea is inherent subjectivity, the lack of evidence. Its multiple repetition over the time of 50 years has created the effect of habituation, but the very concept has not become more reasonable.

Despite the fact that the proponents of the concept of anarchism claim that it is universal, in fact, it is culturally conditioned. We can agree with the following assertion by Priya Chacko: “As culturally peculiar ideas that were given form and meaning by European domination over non-European societies, the concepts of the state of nature and primitive society have had similarly deleterious effects when transposed onto the international system via the description of it as anarchic”.⁹

The same author noticed that “The assumption of anarchy in international politics has major implications for the treatment of culture in IR. Because the culturally specific construction of the concept of anarchy is not recognized it is instead essentially considered to be the product of the functioning of human nature in an environment free of constraints”.¹⁰ He further argues that “the universal human nature that IR scholars assume to exist is actually a Western cultural construct, which is why their theories so often end up implicitly and unreflectively universalising Western culture and imposing it as a norm”.¹¹

Chinese scholar Qin Yaqing in his article “Why is There no Chinese International Relations Theory?” demonstrates the problem of disconnection existing between IR theories, including the concept of anarchism, on the one hand, and embedded in history Chinese cultural approach of social constructs, on the other hand. He writes: “For the Confucian philosophy, order is the most important principle in society .. started with the idea of unequal social relationships, but this unequal relationship, in the eye of the Confucian scholar, was not that between the animals in the Hobbesian jungle, equal and hostile; not that between the humans in the Lockean society, equal and competitive; not even that between the members in the Kantian culture, equal and friendly. Rather, it was that between father and sons in the Confucian family, unequal but benign. At least, this was the ideal relationship in the traditional Chinese mind and the foundation of the appropriate social order. Since from the very beginning it does not assume a jungle, but a society, what hangs the members together is the rituals, norms, and institutions contained in Confucianism and practiced in the Chinese dynastical system” [14].

Thus, as long as IR theories will be dominated by one Western culture, the theories will remain strangers to China, India, Arabs, Iranian world, etc. Located in the heart of IR theories, the concept of anarchy in IR needs to be revised first and foremost.

Conclusion

The dominant thesis in IR theories about anarchy of international system, society, etc., from the beginning was not based on empirical data of political science, but was artificially borrowed from another discipline – anthropology. Lacking support in the realities of international politics, the concept of anarchism after half a century remains a declarative statement, which depends not on scientifically extracted and summarised data, but on the subjective perception of the world of some authors.

⁹ Chacko P. Modernity, orientalism and the construction of international relations. – P. 17 // <http://asrudiancenter.files.wordpress.com/2010/01/chacko1.pdf>

¹⁰ Ibid., p. 22.

¹¹ Ibid., p.23.

Anthropologists in the 1960s started to reconsider the thesis of primitive societies and their anarchistic nature inclined to the view that it was a manifestation of scholars' sympathies for colonialism and wish for justifying it. But for the theory of international politics the concept of anarchism, borrowed from anthropology, is still relevant. Brought up on this idea, many generations of political scientists, originally measure the world on these flawed pattern.

Due to its cultural limitations the concept of anarchy in IR prevents the creation of a universal theory of IR, which could meet the needs of today.

The concept of anarchism is in contradiction with the realities of contemporary international politics. The existence of a developed network of institutions of international cooperation refutes it.

Thus, a critical revision of the concept should provide the basis for liberation from the one of the most famous myths of political science.

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Internet as a Source of Health Information in Latvia

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Abstract

The Internet is a useful and recognised source of health information worldwide. This source is being used by a large part of the population in Latvia, although not on frequent basis. This source of health information is more preferred by women, young people (26–40 years) and the age group of 56–70, Latvian language-speakers, and those who have comparatively worse subjective health status. Although relatively positive ratings of particular sources were given by the respondents, the public was generally sceptic about the objectivity of health information on the Internet in Latvia. Due to a huge amount of information available on the Internet, it is often difficult to judge about the reliability of the sources, therefore proper tools for evaluating quality and content of information on the Internet should be popularised for the consumers. To address inequalities in respect to access to the information on the Internet, good quality information sources in Latvian, addressing health information needs for a wide range of consumers, should be provided.

Keywords: the Internet, health information.

Introduction

The rate of adoption of the Internet in industrialised states might represent the fastest rate of adoption of any innovation in the history of mankind [Bernhardt, 2000; Cline and Haynes, 2001]. Although statistics vary due to differences in research methodologies, there were an estimated 1.8 billion Internet users worldwide in 2009. The majority of these are located in Asia (42.4%), followed by Europe (23.6%) and North America (14.4%) [Higgins, et al., 2011].

The European statistic data show that the Latvian population is rather active users of the Internet; in 2011 the proportion of the population, using the Internet at least once a week, was 70.0%, and this figure has increased by 9.4% since 2009¹.

The Internet is expected to create massive changes in healthcare [Cline and Haynes, 2001]. It can be useful in relation to a number of health information needs, as it offers quick and easy access to a huge amount of information, as well as promotes for patient involvement and information exchange through interactive tools. There are several benefits of the Internet as a health information source – online health information seekers generally feel more reassured [Higgins et al., 2011], they may get social support, as well as have a potential for anonymity. Interaction between patients and healthcare professionals helps “to transmit health information or to receive guidance and support on a health related issue” [Cline and Haynes, 2001]. “It is assumed that the Internet plays a large role in redressing the imbalance of knowledge between patients and professionals” [Britten, 2008: 99–100].

¹ http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Information_society_statistics

However, due to plenitude and disorganisation of information, not all the advice found on the Internet is trustworthy [Pandolfini, Impicciatore and Bonati, 2000; Risk and Petersen, 2002; Diaz, et al., 2002; Cline and Haynes, 2001]. Lots of non-reviewed and also vague-quality sources [Risk and Petersen, 2002] are available for the public, including those provided by “quacks, cranks and charlatans” [Cline and Haynes, 2001, 679].

Despite the rapid growth of health online information seekers, physicians are still seen as the primary source of information and advice [Sillence, et al., 2007]. Physicians can be good advisers of reliable information sources; however, the evidence shows that, although patients value physicians' advice, only few of them rely on it when searching for health information online. Moreover, physicians are not active in suggesting specific sites due to the reason that content and web addresses change rather quickly. It is therefore suggested that users of the Internet use particular tools for evaluating information on the Web themselves [Bernstam, et al., 2005: 14].

To filter the extensive information, also relating to health issues, people nowadays tend to use general-purpose search engines, such as Google [Bernstam, et al., 2005], but it is often difficult for consumers to determine which filtered sources are reliable. Therefore, in assessing quality of Web sources it is suggested to examine them against common quality criteria.

A great variety of information assessment tools are at consumers' disposal, and different studies have identified distinctive number of such tools – a study in 2002 identified 98 quality rating instruments [Gagliardi and Jadad, 2002], but the study in 2005 marked out more instruments – 273, which were evaluated in terms of objectivity, reliability and readability [Bernstam, et al., 2005].

The aim of the study was to determine demographic differences of consumers using the Internet for health information purposes, to identify the frequency of use, types of information sought, most commonly used sources, as well as to evaluate respondents' perceptions of the quality of the information provided by the sources, in respect to the criteria derived from web information assessment tools.

Material and methods

The study based on quantitative methodology was implemented using the on-line self-administered survey tool *LimeSurvey*. It addressed internet panel users of “Data Serviss” and “Market Data”, containing approximately 18 000 participants in total. The response rate was 13.3%, and that contributed to the sample of 2326 respondents. The survey took place in December, 2011–January, 2012.

The survey required 17 minutes on average to be completed. Prior to the study, the survey was pilot-tested to clarify comprehension of the questions.

The survey contained questions regarding demographics (sex, nationality, age, place of residence, education, family status, number of children within the family, occupation), frequency of the use of the Internet. The respondents were enquired about the content of information they usually seek for, as well as asked about their perception of the quality of health information on the Internet.

There is a variety of information sources offering health information on the Net in Latvia – web-pages, data basis, publications. The most popular health information sources under the scope of the current study were derived from the data base of ratings www.top.lv.

The checklist of health information evaluative criteria was selected from the theoretical literature [Alexander and Tate, 1999; Cline and Haynes, 2001], as well as from other recognised instruments, provided for assessment of health information on the Internet – Health on the Net Foundation (HON) criteria², WHO criteria³, as well as tools of the Journal of Medical Internet Research⁴.

The evaluation criteria under the scope of this study were:

- 1) source is easy to find;
- 2) information is regularly updated;

² <http://www.hon.ch/HONcode/Patients/Conduct.html>, <http://www.jmir.org/2002/3/e15/#ref8>

³ <http://apps.who.int/medicinedocs/en/d/Jh2977e/7.html#Jh2977e.7.1>

⁴ <http://www.jmir.org/2002/3/e15/#ref8>

- 3) author of the information is disclosed;
- 4) financing source is disclosed;
- 5) target audience of the source is clear.

Data analysis was performed using SPSS 15.0 and Microsoft Office Excel 11. Bivariate associations of respondents' characteristics with the Internet use for health information purposes were tested with Pearson Chi-square test (χ^2) and adjusted standardised residuals' test, examining statistically significant differences between cases within independent variables and cases within the total sample – if an adjusted residual that is more than 1.96, the number of cases in that cell is significantly larger than would be expected if the null hypothesis were true, with a significance level of 0.05. If an adjusted residual that is less than 1.96, it indicates that the number of cases in that cell is significantly smaller than would be expected if the null hypothesis were true (a significance level of 0.05).

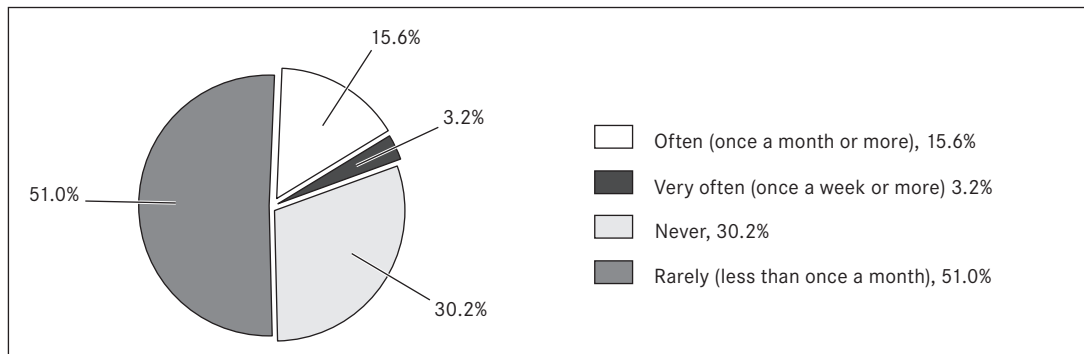
Results

Frequency of the Internet use for health information purposes

The sample included 2326 respondents (mean age 39.3 ± 12.3 years). To get more accurate results, the data were weighted according to the general structure of the population of Latvia, in respect to the data of the Latvian Central Statistics Bureau as of January 1, 2012.

The results of the study show that 30.2% of the respondents never use the Internet source for health information purposes and 51.0% of the population use the Internet in search of health information rarely (less than once a month). The results are displayed in Figure 1.

Figure 1. Frequency of the Internet use for health information purposes (n = 2,326)



Demographics

The Pearson Chi-square test (χ^2) detected several statistically significant differences between the frequency of use of the Internet for health information purposes in and demographic characteristics of the respondents.

Women tend to use the Internet for health information purposes more frequently – 23.6% of the women and only 13.1% of men have reported to have used this source often or very often. Health information on the Internet is more often sought by the respondents speaking the Latvian language when compared to the respondents speaking other languages (“very often” – 3.8% (Latvian language); 2.2% – other languages) (Table 1).

As it is seen in the Table 2, more extensive use of the Internet for health information purposes is more characteristic to the respondents belonging to the age group 26–40 (18.0% from this group use the Internet “often”) and the age group 56–70 (5.3% from this age group use the Internet “very often”).

Use of the Internet for health information purposes is more characteristic to the respondents whose family status is “married” (“often” – 17.4%) (Table 3).

Table 1. Demographic characteristics of the respondents – gender and language (n = 2326; p < 0.05)

Frequency of use	Gender, %		Total sample	Language spoken, %		Total sample
	Male	Female		Latvian	Other	
Never	41.6*	20.4*	30.2	23.2*	40.4*	30.2
Rarely (less than once a month)	45.4*	55.9*	51.1	56.8*	42.6*	51.0
Often (once a month or more)	11.3*	19.3*	15.6	16.3	14.8	15.7
Very often (once a week or more)	1.8*	4.3*	3.1	3.8*	2.2*	3.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

* Value of adjusted standardised residual > 1.96 or < -1.96; the difference is statistically significant.

Table 2. Characteristics of the respondents – age (n = 2326; p < 0.05)

Frequency of use	Age, %					Total sample
	< 25	26–40	41–55	56–70	> 70	
Never	32.9	28.2*	31.0	32.5	30.8	30.2
Rarely (less than once a month)	49.5	50.0	54.8*	47.7	43.6	51.0
Often (once a month or more)	16.0	18.0*	12.1*	14.4	23.1	15.6
Very often (once a week or more)	1.5	3.8	2.2	5.3*	2.6	3.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

* Value of adjusted standardised residual > 1.96 or < -1.96; the difference is statistically significant.

Table 3. Characteristics of the respondents – family status (n = 2323; p < 0.05)

Frequency of use	Family status, %				Total sample
	Single	Married	Divorced	Widow	
Never	34.0*	28.2*	34.1	24.7	30.2
Rarely (less than once a month)	48.8	51.3	53.9	53.4	51.1
Often (once a month or more)	14.6	17.4*	8.5*	16.4	15.7
Very often (once a week or more)	2.6	3.1	3.5	5.5	3.1
Total	100.0	100.0	100.0	100.0	100.0

* Value of adjusted standardised residual > 1.96 or < -1.96; the difference is statistically significant.

Subjective health status

Subjective health status evaluation in association with frequency of the use of the Internet is demonstrated in Table 4. It was disclosed that the Internet for health information purposes is said to be used “often” by the respondents with subjective health status evaluation of “rather bad” (35.0%).

Table 4. Subjective health status (n = 1624; p < 0.05)

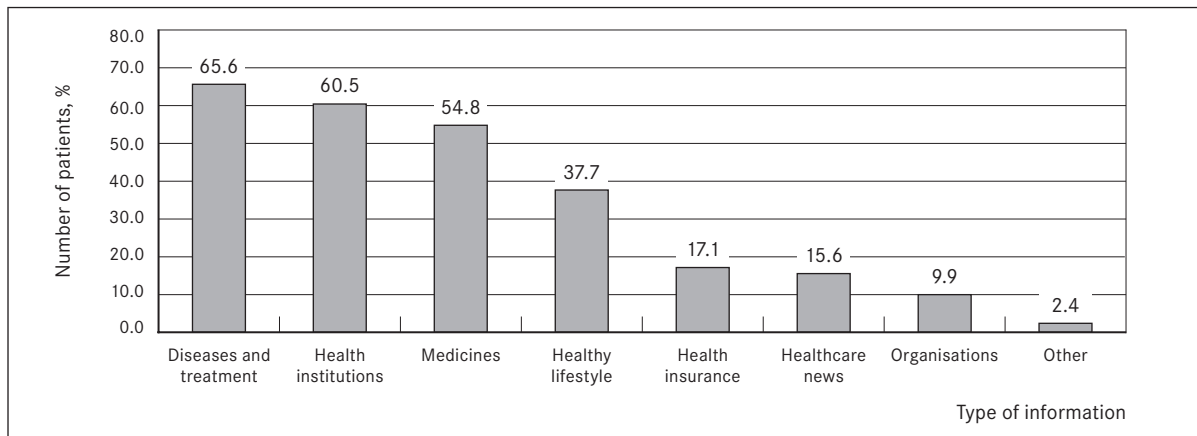
Frequency of use	Health status, %					Total sample
	Good	Rather good	Average	Rather bad	Bad	
Rarely (less than once a month)	77.0	74.5	72.9	57.3*	68.8	73.0
Often (once a month or more)	19.1	22.1	21.8	35.0*	25.0	22.5
Very often (once a week or more)	3.9	3.3	5.2	7.7	6.3	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

* Value of adjusted standardised residual > 1.96 or < -1.96; the difference is statistically significant.

Types of health information sought

Respondents use the Internet for a variety of health-related reasons (Figure 2). The most frequently sought information includes information about diseases and their treatment (65.6%), health institutions and personnel (60.5%) and medicines (54.8%).

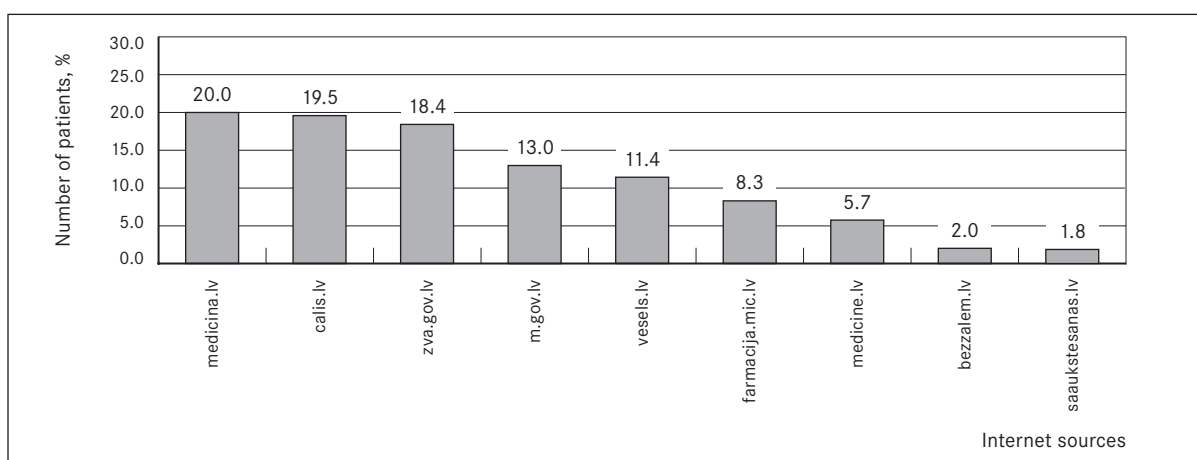
Figure 2. Types of information sought (n = 2326)



Most frequently used sources

Five most popular information sources for obtaining health-related information can be distinguished. The source zva.gov.lv is a web-page of the State Agency of Medicines, and vm.gov.lv is a web-page of the Ministry of Health. The rest three are privately owned sources – medicina.lv and vesels.lv contain general information regarding healthcare issues, and calis.lv is an interactive portal for parents and caregivers of children, containing information about all children-related topics, including health.

Figure 3. Most frequently used Internet sources (n = 2326)



Subjective evaluation of quality of health information provided by the Internet sources

As it is revealed in Table 5, the most popular Internet source medicina.lv is evaluated by respondents positively – the majority of the respondents agree or rather agree that this source is easy to find, information is regularly updated, author of the information is disclosed and target audience is clear. However, only 34.0% of the respondents consider that financing sources of this portal are disclosed.

Regarding the sites calis.lv and vesels.lv, evaluation of these information sources is similar – the majority of the respondents agree or rather agree that these sources are easy to find, information is regularly updated, author of the information is disclosed and target audience is clear. Only 23.5% of the respondents in case of calis.lv and 24.6% of the respondents in case of vesels.lv consider that financing sources of these sources are disclosed.

As to the web-page of the State Agency of Medicines (zva.gov.lv), the majority of the respondents consider this source easy to find, regularly updated and having target audience clear. However, less than half of the respondents think that the author and financing of the source are disclosed.

The highest score belongs to the web-page of the Ministry of Health – more than a half of the respondents consider that this source corresponds to the criteria – easy to find, regularly updated, author and financing sources disclosed and target audience is clear.

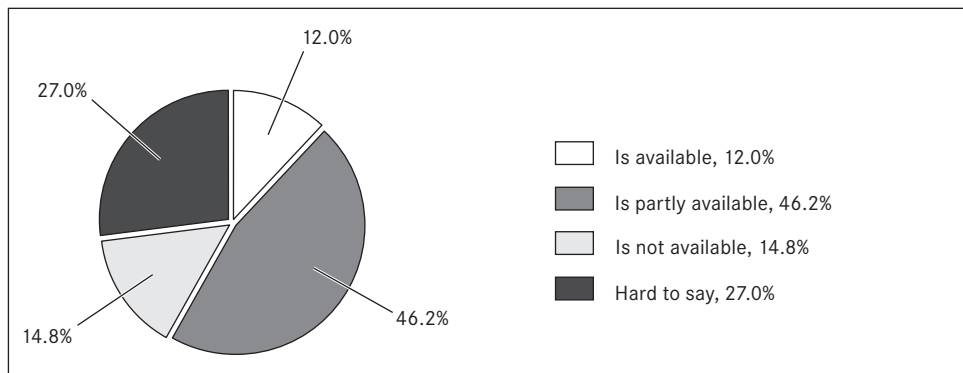
Table 5. Respondents' evaluation of quality of health information provided by the Internet sources (% , n = 2326)

www.medicina.lv	Fully agree or rather agree	Rather or fully disagree	Hard to say	Total
Source is easy to find	85.0	8.3	6.7	100.0
Information is regularly updated	63.4	13.6	23.0	100.0
Author of the information is disclosed	61.3	20.2	18.5	100.0
Financing source is disclosed	34.0	28.7	37.3	100.0
Target audience of the source is clear	61.7	13.5	24.8	100.0
www.calis.lv	Fully or rather agree	Rather or fully disagree	Hard to say	Total
Source is easy to find	88.9	3.9	7.2	100.0
Information is regularly updated	60.4	16.9	22.7	100.0
Author of the information is disclosed	51.5	27.4	21.1	100.0
Financing source is disclosed	23.5	33.7	42.8	100.0
Target audience of the source is clear	73.0	8.6	18.4	100.0
www.zva.gov.lv	Fully or rather agree	Rather or fully disagree	Hard to say	Total
Source is easy to find	75.0	19.4	5.6	100.0
Information is regularly updated	55.6	13.3	31.1	100.0
Author of the information is disclosed	47.9	22.5	29.6	100.0
Financing source is disclosed	44.9	22.5	32.6	100.0
Target audience of the source is clear	63.7	21.7	14.6	100.0
www.vm.gov.lv	Fully or rather agree	Rather or fully disagree	Hard to say	Total
Source is easy to find	82.7	13.6	3.7	100.0
Information is regularly updated	52.9	26.1	21.0	100.0
Author of the information is disclosed	54.3	29.0	16.7	100.0
Financing source is disclosed	53.2	20.2	26.6	100.0
Target audience of the source is clear	63.7	21.7	14.6	100.0
www.vesels.lv	Fully or rather agree	Rather or fully disagree	Hard to say	Total
Source is easy to find	89.2	6.6	4.2	100.0
Information is regularly updated	65.6	13.9	20.5	100.0
Author of the information is disclosed	56.6	23.8	19.6	100.0
Financing source is disclosed	24.6	34.4	41.0	100.0
Target audience of the source is clear	55.4	15.7	28.9	100.0

Subjective evaluation of health information character

Respondents were asked the question – “Do you think that a non-commercial, unbiased health information (based on the purpose not to sell the product or the service, but to inform consumers) is available in Latvia?”, and the opinion of the respondents is revealed in Figure 4 – 12.0% of the respondents consider such information available, and 46.2% consider such information to be partially available.

Figure 4. Opinion regarding availability of non-commercial information in Latvia (n = 2326)



Discussion

Demographics

While earlier studies testify that no significant differences were present between 2002 and 2005, when it comes to gender of online health seekers [Health on the Net Foundation, 2005], use of the Internet for health information purposes is by the succeeding studies proven to be more widespread among women [Marazienė, et al., 2012; Andreassen, et al., 2007; Higgins, et al., 2011; Dart, Gallois and Yellowlees, 2008; Renahy, Parizot and Chauvin, 2008; AlGhamdi and Moussa, 2012; Lemire, et al., 2008; Cotten and Gupta, 2004], and care-taking roles are presumed to be one of the reasons for these demographic differences in respect to intensity and frequency of using this source [Cline and Haynes, 2001].

Use of the Internet for health-related searches is reported to decrease with age [Marazienė, et al., 2012; Andreassen, et al., 2007], and it has been described by the studies that the youngest age group comprises the most ardent Internet users [Renahy, Parizot and Chauvin, 2008; Ybarra and Suman, 2006]. However, it has also been reported in Europe [Andreassen, et al., 2007] and elsewhere [AlGhamdi and Moussa, 2012; Dart, Gallois and Yellowlees, 2008] that young adults and the middle aged (~30–50 years of age) are those who take the most interest in health information once they are online. A plausible explanation is that we find a large proportion of family caregivers in this group [Andreassen, et al., 2007] searching for information about a condition of “a loved one” [Higgins, et al., 2011; Ybarra and Suman, 2006]. In Latvia, most active users belong to the age group of 26–40 as well as to the group of 56–70 years of age.

Studies depicting association between family status and search of health-related information on the Internet are distinctive – it has been concluded that it is more characteristic to married individuals [Marazienė, et al., 2012; Renahy, Parizot and Chauvin, 2008; Cotten and Gupta, 2004]; likewise, it has been attributed to the people whose family status is “single” [Reinfeld-Kirkman, Kalucy and Roeger, 2010]. The results of the study in Latvia show that the use of the Internet for health information purposes is characteristic to married individuals and that also may be explained by the fact that women, who are also revealed to be more active users of the Internet for health information purposes, assume care-taking roles within their families.

Similar to the results in Latvia, showing that those who speak Latvian are more active users of the Internet for health information purposes, Lithuanians are reported to use the Internet for the same purpose more than other ethnicities [Marazienė, et al., 2012].

Subjective health status

The findings of the current study, linking more frequent use of the Internet with worse health status have proven to be coherent to the results of other studies – health problems, including perception of mental health, drive people to look for information about conditions and treatment possibilities [Cline and Haynes, 2001; Renahy, Parizot and Chauvin, 2008], and search for health information is also reported as characteristic of those who knew other people being sick [Dart, Gallois and Yellowlees, 2008] and those who were unable to understand information from their GPs [Renahy, Parizot and Chauvin, 2008].

The results obtained in the study of seven European countries (Norway, Denmark, Germany, Greece, Poland, Portugal and Latvia) showed that those assessing their health status as poor more rarely use the Internet to get health information, still it was pointed out that objective health complaints and chronic illnesses indicate a higher level of health-related use of the Internet. It may lead to a conclusion that those who suffer from illness, despite of it, feel that they are in good health, use the Internet more often [Andreassen, et al., 2007].

Intensity of the Internet use for health information purposes

The number of the worldwide net users looking for health information is increasing. The study in 2000 showed that only 31.3% of the respondents sought this type of information on the Internet [Mandl, et al., 2000], but the succeeding studies of the topic have demonstrated that more than half of the respondents regularly use the Internet for health information [Diaz, et al., 2002]. This tendency is concluded to be present also in Latvia – the study examining changes of intensity of the use of the Internet in seven countries – Denmark, Germany, Greece, Latvia, Norway, Poland, and Portugal – conclude that significant growth in the use of the Internet for health purposes was found in all the seven countries [Kummervold, et al., 2008].

The proportion of individuals who look for health information on the Internet differs among the countries in Europe – it has been reported that health-related use of the Internet is most frequent in the Northern countries (62%) and Norway (59%), followed by Germany (49%), Poland (42%) and Latvia (35%). The lowest proportion of users belongs to Portugal (30%) and Greece (23%) [Andreassen, et al., 2007]. The study in Lithuania has indicated that 31.9% of the population uses the Internet for health information purposes [Marazienė, et al., 2012]. The study conducted in Latvia, examining the use of information sources in cases of common cold, stated that the Internet was the third popular information source among Latvian population – 37.0% stated they had used this source [Salmane-Kulikovska, et al., 2011]. Another study in Latvia claimed that the Internet has been the 2nd most important information source regarding health issues [TNS Latvia, 2012].

The examining opinion of respondents from 42 countries regarding the Internet use for health information purposes showed that from those who use the Internet for search of health information 89% do it at least once a month or more frequently [Health on the Net Foundation, 2011].

The results of the current study show that 69.8% of the population use the Internet for health information purposes, although only 18.8% use this source at least once in month or more, and 30.2% never use this source for health information purposes. It means that the number of users of the Internet for obtaining health information is comparatively high, but a considerable part of them are non-frequent users (use this source less than once a month).

Types of health information sought

Most frequently sought topics in Latvia were information about diseases and their treatment, health institutions and specialists, as well as medicines. These preferences have been marked elsewhere [Cline and Haynes, 2001; Health on the Net Foundation, 2011; Diaz, et al., 2002; Wangberg, et al., 2009].

Evaluation of the information

A systematic meta-analysis of health website evaluations has defined that 70% of the studies have concluded the quality to be a problem on the Internet [Eysenbach, et al., 2002]. It was disclosed by the study in Latvia that only 19.5% of the population think that non-commercial information about medicines for

cough and cold purposes is available in Latvia [Salmane-Kulikovska, et al., 2011]. In a qualitative study in Latvia, examining information-seeking habits sources prior to administration nasal decongestants in children, the informants were sceptic about the availability of unbiased (non-commercial) information about medicines: “[...] *I think the availability of independent information is limited. Let’s say, available is what producers want to be available [...]*” [Salmane-Kulikovska and Dobelniece, 2011].

However, more detailed analysis shows that consumers tend to give a greater credibility to the Internet sources if compared to other media [Cline and Haynes, 2001]. It has been remarked that normally people tend to give higher ratings to the quality of health information on the Internet if compared to the recognised information evaluation standards. Multiple studies show that consumers do not assess or insufficiently assess quality when looking for health information online [Bernstam, et al., 2005; Diaz, et al., 2002].

Conclusions

Current study results reveal that consumers are interested in obtaining health information on the Internet; however, a great part of them use this source rather rarely (less than once a month). It is possible that this tendency comes out of low estimation and trust in objectivity of health information on the Internet. Also, as it comes to the evaluation of separate sources, rather high proportion of the respondents indicate that financing of particular sources is not transparent.

Evidently, lots of sources on the Internet normally contain both advertising and objective information. Proper education and instructions for consumers are essential to be capable to objectively assess the existing information sources online [Cline and Haynes, 2001], and such tools should be provided and also popularised for consumers.

Use of the Internet for health information purposes differs in the demographic categories – health information is more frequently sought by the young people and by the elderly (56–70 years of age). It has been previously concluded that inequities in access to information among the Latvian population are present, and one of the reasons is a language barrier [Tragakes, et al., 2008: 56]. Younger people may have more access to internationally-recognised trustworthy health information sources because of better language skills. Therefore, it is essential that the public health policies include provision of good quality health information sources suitable for all age groups. “Diminishing inequalities may be the key to increasing online health information seeking; thus, potentially empowering health care consumers” [Cotten and Gupta, 2004].

The Internet as a source of health information, offering objective information regarding related topics – diseases and their treatment possibilities, medicines, etc. can be a support for consumers experiencing health problems. Good quality information can increase overall health literacy of the population.

Taking into account the fast-increasing number of Internet users and interest of the public in health issues, it is time to consider the quality of tools consumers have at their disposal.

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