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## ***Fear, Risk and Reflection***

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## 1. INTRODUCTION

Fear appears as a characteristic general feature of our late modern society in a way not known in earlier societal forms. An executive of a major Scandinavian producer of food ingredients finds it "somewhat absurd if the public always expects new technologies in which the industry has invested millions to be either dangerous or harmful" (Kjærgaard 2003). However, this widespread scepticism seems the condition of existence for organizations today, and a prime activator of various legitimizing structures such as public relations, corporate social responsibility measures, sustainability or triple bottom line reporting and stakeholder dialogues.

From an epistemological sociological perspective, the research presented in this essay endeavours to understand the emergence, diffusion and dynamics of the social processes activating fear and subsequently activated by fear within the context of the late modern society. This perspective offers no ideals or solutions – but an analytical optic which is sensitive to the complexity of today's social processes, with a particular sensitivity to transformations and differences in the way we recognize the world, and to the consequences for organizations and their legitimization.

## 2. FROM NATURE TO SOCIETY AS THE SOURCE OF DANGER

Decisive to our analytical sensitivity is our analytical optic. This is a well-known recognition of social constructivism – radicalized, however, by Niklas Luhmann's<sup>(1)</sup> analyses of society as constituted not by human beings, but by self-organizing communicative processes: by constantly changing social filters through which the world is recognized<sup>(2)</sup>. This perspective ensures science a high analytic sensitivity to fear as a specific empirical phenomenon of today's society. Focus changes from what the world might *be like* to how the world is *recognized*, i.e. realized through these social filters. They become the actual object of sociology. Like other social processes science cannot tell us what the world is *really* like – but how matters are socially reconstructed. This means that we first and foremost localize the activating problems within society itself – even if they are empirically ascribed to external factors. So, although fear as a general feature of the social processes constituting the late modern society is seen as inspired above all by technological and ecological problems, we cannot account for fear by means of the dangers we 'really' face, but by means of an increase in social sensitivity to the risk potential of our society and a consequent increase in fear from the position of danger. And we can analyze with greater precision which social developments have led to the risk/danger syndrome absorbing more and more attention and more and more communications.

The decisive novelty behind fear seems to lie in the expansion of society's decision-making potential, in its multitudinous options and hyper-complex implications. With the transition to modern society and its full development, the difference between past and future has grown and so has, as a consequence, the future's dependence on decision-making in the present. What in previous societies just happened in the course of time, today requires decisions. Whereas catastrophes, illness, or misfortune were previously attributed to Nature, Destiny, or God, today almost everything is seen as a result of decisions. Some examples: reduced human fertility is attributed to the agricultural or industrial pollution of nature with hormones. Famine is not just attributed to changes of climate (and, if it is so, these changes are often attributed to social decisions, for instance the destruction of the rain forest) but to excessive exploitation of land. Whereas poverty in previous stratified societies was seen as a law of nature, today poverty is attributed to unjust or unequal distribution of wealth and knowledge. AIDS is not, as was plague in the Middle Ages, seen as a punishment by God, but as due to inadequate political infrastructures, to the drug indus-

try's patents and profits, or to the ineptness of medical science. This leads to a transformation of dangers into risks. The world can be moulded, shaped, designed, changed and managed – however, at the price of risky decisions which could more easily prove destructive than constructive. The fear that things could go wrong is accelerating rapidly and with it the risk attributed to decision-making (Luhmann 1993b: xii).

Moreover, we see that the consequences of risky decisions are left to an evolution not subject to centralized coordination, but to an increasing functional differentiation of society. Since the 1600s, society's communication processes have gradually clustered around various specialized rationalities in "functional systems" (Luhmann 1995a; 1997) – social communication networks oriented towards different functions in society. Among the most prominent are politics (Luhmann 2000b), law (Luhmann 1993a), science (Luhmann 1990b), economics (Luhmann 1999), and the news media (Luhmann 1996b). Each functional rationality evaluates risk through its specific criteria of relevance and moral; each one has its specific perception of legitimacy and responsibility in society. Each rationality produces its particular social filter and consequently its own reality – and the differentiated rationalities are incompatible with and indifferent to each other. This indifference is a protective shield to build up specific complexity, and has decisively accelerated the growth of complexity within society. Functional specialization has bred first industrialization and later the knowledge society. The more social complexity is developed, the more complexity can be recognized and socially processed. Accordingly, functional differentiation has decisively increased society's knowledge.

Functional differentiation, however, also increases society's level of risk remarkably: *firstly*, because the threshold for acceptable risk is equally functionally differentiated. Some obvious examples: economy observes and interprets risk from the perspective of payments and property ("Will we risk our profits?" "Will we risk our belongings?"); news media from that of a need for continuous new information ("Will we risk the flow of information?"); science from the perspective of building new knowledge ("Will we risk the quest for truth?"). Likewise, politics balances the evaluation of risk against the possibility of governing power ("Will we risk our votes?"). The political rationality implies a temptation to make decisions with an eye on their electoral effects. As Luhmann observes (1993b: 146),

above all, the opposition principle rewards whoever imposes a subject matter and pushes it rapidly through to the decision making level, so that more attention is paid to catchwords and presentation than to the evaluation of consequences.

Functional differentiation promotes the tendency to take risks and limits the prospects for centrally co-ordinated control.

Secondly, the knowledge explosion activated by functional differentiation increases our awareness of risk: the more we know, the better we know what we do not know, and the more sensitive our risk awareness becomes. In particular, the emergence of the mass media revealed how much knowledge already existed simultaneously and, with the explosion of information technology and the advent of the Internet, the awareness of indefinite, immense, and dynamically changing quantities of knowledge has equally exploded.

These social developments seem to have led to three interrelated features of society today:

- the production of risk is accelerating rapidly, with consequences becoming increasingly incalculable, unforeseeable – the counterpart of risk thus being danger, not security as widely held;
- danger is no longer perceived as inherent in nature, but is attributed to decisions, and taken seriously only as risk;
- consequently, focus centers on the social aspect of risk and exposes all decisions to two perspectives: either that of the decision-maker, who regards decisions as a risk – or that of the affected victim, who regards them as a danger.

### 3. FROM THE MATERIAL TO THE SOCIAL AND THE TEMPORAL DIMENSIONS

That one person's or organization's risky behaviour becomes a danger to the other has become a fundamental problem of society today, increasing as more and more of the future comes to depend on decisions taken in the present, and as more and more dangerous situations are regarded as the result of past decisions (Luhmann 1993b: 147). As Luhmann suggests, the problem with which the topic of risk confronts us appears not to lie in the material dimension as supposed in mainstream observations on 'the risk society' (see in particular Beck 1996). It is rather to be found in the relationship between the temporal dimension and the social dimension. We cannot explain fear in the dangers we 'really' face (the material dimension) – but partly in the temporal dimension in regard to the principally unknown future (key word: *sustainability*), and partly in the social dimension in regard to who makes the decision which endangers others (key word: *responsibility*).

The basic medium of communication processes is meaning. Meaning

refers to three dimensions: social, temporal, and material (Luhmann 1995a: chapter 2). In *the material dimension* we ask: what is the world like, what are the dangers facing us, who is really responsible, what is the truth? A 1<sup>st</sup> order focus on the material dimension *ontologizes* our perception of the world – it takes socially-filtered perceptions to be reality and does not see how different observers produce different realities. A 2<sup>nd</sup> order focus on the temporal and social dimensions *de-ontologizes* these perceptions. We raise our perspective from the 1<sup>st</sup> order's immediate observation of 'the real world' to the 2<sup>nd</sup> order observation of the world coming into being in different ways through various social filters. We gain the detachment that allows us to observe how others observe and what they consequently can and cannot observe. Instead of unambiguous black-and-white 1<sup>st</sup> order judgments of *what* is right or wrong, and *who* is right or wrong, we obtain the 2<sup>nd</sup> order observation's sensitivity to a much more nuanced social complexity. This 2<sup>nd</sup> order perspective is an inevitable demand on the scholar in particular, but also on the reflective practitioner.

By shifting perspective from the ontologizing material dimension to the social and the temporal dimensions, we *de-ontologize and dissolve* the phenomenon of fear into social constructs which change according to perspective and over time.

By emphasizing *the temporal dimension* (instead of the material dimension) we see that security is not the counter-concept to risk. When we observe risk with security as the counter-concept, then we are given the impression that it is possible to make the right decisions on the material dimension; that you can avoid risk by taking proper measures. However, since the future will always remain unknown, this possibility is excluded. Consequently, we are misled when focusing our confidence on the material dimension – on correct information, technical solutions etc. More research and increasing knowledge does not transform risk into security. In spite of extensive research into the rationalization of risk, we have not attained certainty and security. On the contrary, by now we have experienced that research by itself often proves risky. The temporal dimension shows that no decisions can be taken without generating risk. All decisions are risky and exposed to protest from the perspective of danger.

By emphasizing *the social dimension* as opposed to the material dimension, we see the opposite dynamics of the positions of risk and danger. Whereas the observer of 1<sup>st</sup> order demands more and better information as though there were information available that one could *have or not have*, the observer of 2<sup>nd</sup> order sees that what different observers consid-

Observation → Dimension ↓	1 <sup>st</sup> order	2 <sup>nd</sup> order
<i>Material</i>	Takes social perceptions to be the real world – What <i>is</i> the right decision? What <i>is</i> the correct information?	Sees that the social and temporal dimensions determine the material dimension.
<i>Social</i>	– and to be the one and only real world, from an unambiguous, prejudicial perspective. Divides the world into good vs. bad, common vs. particular interest, substantial vs. strategic values.	Sees how the world comes into being in different ways through various social filters; that what different observers consider to be the same thing generates quite different information.
<i>Temporal</i>	Sees past and future unambiguously from the present. Security is counter-concept to risk: How can we today secure the future?	Sees that risk cannot be dissolved into security by more research, more knowledge, or more information. Counter-concept to risk is danger.

Table 1. Differences in perception on the material, social and temporal dimensions, and from a 1<sup>st</sup> and 2<sup>nd</sup> order observation respectively.

er to be the same thing generates quite different information for each of these positions and that we cannot automatically and conclusively ascribe any of these positions to specific organizations, persons or social movements. A person or an organization which on the one hand makes a decision may on the other hand be the affected victim of others' decisions.

The 2<sup>nd</sup> order observation dissolves the simple black-and-white 1<sup>st</sup> order distinction between, for example, 'ruthless capitalist destroyers of the environment' and environmental protectionists; between superficial attributions to the particular interest versus the common interest; between strategic values and substantial values. Instead of describing the problems in terms of an opposition of interests or a conflict of values, we understand and analyze the conflicts as a consequence of social conditions<sup>39</sup>.

So, gained from the change of focus from material to temporal and social dimensions as well as from the shift of observation from 1<sup>st</sup> to 2<sup>nd</sup> order, are four insights:

- that the future is rendered visible as consequences of decisions taken

today. We see that “sustainability” – which exactly involves taking responsibility for future consequences – has become a prominent topic in society’s communication processes. We also see that risk cannot be dissolved into security by more research, more knowledge, or more information;

- that the need for decision-taking has exploded, and that no decision can avoid being regarded as risky. Fear increasingly becomes a predominant feature of society from the position of the affected victim. From this perspective, having been represented in particular by protest movements since the 1960s, fear seems to develop into general awareness throughout society;
- that by attributing danger to social processes rather than to Nature, God, or Destiny as in older societal forms, the question of responsibility is raised and attributed to society’s predominant decision-makers, organizations. We see that “corporate social responsibility” has become a buzzword, and that everything from the global climate and AIDS to obesity is attributed to decisions. Empirical observations indicate that the boundary between risk and danger is moving, and that more and more matters are seen from the victim’s perspective. From, for instance, cigarette smoking or eating unhealthy food being at one’s own risk, it is increasingly attributed to decisions made in particular by politics or industry;
- that consensus is not possible, partly because the two positions of risk and danger see the same from completely opposite and irreconcilable perspectives based on a conflict inherent in today’s society; and partly because there can be no unambiguously right solutions since future consequences are principally unknown.

These traits lead to public attention being continuously alerted; protest movements and social criticism being stimulated over and over; prejudices and worries about the future prevailing – in short, to a hyper-irritated state of society. Neither practice literature nor theory seems to lack advice for resolving the danger/risk conflict. Recommendations vary from “symmetrical communication”, “transparency” and “stakeholder dialogue” to “ethics”, “multiple bottom line reporting” and “value branding”. One may wonder, however, whether these recommendations take into account the dichotomy of risk/danger underlying the conflicts, since this makes it difficult to hope for consensus. The disaster threshold is located at very different positions, depending on whether one is involved in risk as a decision-maker or as someone affected by risky decisions, and “this conflict bursts traditional

hopes for consensus – whether from the perspective of reason or ethical principles” (Luhmann 1990a: 30).

Instead, I suggest we see the risk/danger dichotomy as an integral part of today’s hyper-complex society which cannot be resolved – but seems to be here to stay as a companion to the increasing complexity and knowledge-production of society. Analyses of Western democratic societies since the 1960s have shown that society apparently copes with the irresolvable conflict in evolutionary learning processes, in a dialectic dynamics driven by the opposite positions of victim and decision-maker, and that the hyper-irritated state seems relieved in a new organizational paradigm of legitimization (Holmström 2000; 2002; 2003; 2004).

#### 4. VICTIM VERSUS DECISION-MAKER

To uncover the poly-contextual interplay and complexity we first of all have to understand the different social filters involved; how they recognize the same differently, and how they compete, interplay and change.

Society’s most important *decisions* are located above all in organizations; organizations of any kind, whether they primarily refer to, for instance, the political functional rationality (governments, political parties, trade organizations, lobby organizations, NGOs), the functional rationality of health (e.g. hospitals), science (universities, research institutions) or economy (business companies).

When communication gets organized, it establishes a social identity – stable expectations over time – which bridges the gap between past and future. Organizations are constituted by communication of decisions, and it is by means of organizations – and only there! – that a society enables itself to act collectively and to make programmed decisions” (Baecker 2003: 20).

Even if all organizations are polygenous (i.e. they refer to several functional rationalities), they predominantly identify themselves with reference to one of society’s functional spheres: a church to religion; a research institution to science; a court of justice to law; a business company to the economic rationality, etc. By attributing observations to the different functional rationalities, we can uncover the different functional evaluation criteria of risk. Furthermore, we can analyze the criteria in the individual organization. Where does the organization locate the disaster threshold that makes the organization risk taking a specific decision? Where is the bottom line threatened or the global climate endangered? When is the organization’s reputation at stake or some diffuse stakeholder perhaps endangered?

All decisions are risky, for an attribution can be made to a decision whenever a choice between alternatives is conceivable and appears to be reasonable, no matter whether the decision-maker has perceived the risk and the alternative, or whether s/he has failed to notice them (Luhmann 1993b: 26). So, one cannot avoid risks if one makes any decision at all, and since organizations are constituted by decisions (Luhmann 2000a), organizations systematically and inevitably produce risks – whether they want to or not. Even not taking a decision is taking a decision and involves risk.

Consequently, the risk/danger dichotomy increases and changes the complexity between the organization and a turbulent environment which, from the position of a potential victim's fear, constantly questions the legitimacy of organizational decisions. During the past decades, we have seen this contribute to activating various organizational legitimization structures (e.g. public relations, stakeholder dialogue, corporate communication, issues management). However, in most literature in the field of organizational legitimization, taken at face value, the social mechanisms of fear activating these structures are rarely (if ever) systematically analyzed.

The perspective of *danger* is clearly distinguished from the perspective of risk. The observer of a decision-maker usually considers the risk of the decision differently from the decision-maker her/himself. S/he is not located in the decision-taking situation. S/he is not exposed to the same pressure to decide. S/he does not share the advantages of the decision to the same degree as the decision-maker. And, above all, the affected party sees her/himself as endangered by decisions that s/he neither makes her/himself nor controls. Whereas, in relation to one's own decisions, one can be more or less willing to take a risk, one is highly sensitive to danger resulting from the decisions taken by others. In the past decades, we have seen many expressions of this sensitivity, particularly to new technology, to the chemical industry, and lately to biotechnology. The quote early in this essay – that "the public always expects new technologies in which the industry has invested millions to be either dangerous or harmful" – is one of the many empirical observations in that respect.

Apparently it is easy to alert people to the difference between risk and danger and to communicate it, and since the source of danger nowadays can be located in decisions, it makes sense to oppose. The rituals so common in previous times to console a hard Destiny, a strict God, or a willful Nature are replaced by protests towards decisions. Examples are numerous and increasing: from the anti-nuclear movements of the 1960s to

today's consumer boycotts of products from corporations or even countries assumed to decide irresponsibly, in particular with regard to the environment or human rights. Also, 'ethical' investments can be seen as protests activated by fear – more radically, however, they may as well be seen as not taking financial risks.

Fear is expressed in several different ways – ranging from violent protest to rational pressure and quiet resignation – which activate different communication processes and constitute different relations to the decision-making entity. Most unambiguously and visibly, fear is expressed in "the protest moral" – which finds its legitimacy exactly in fear, and fear resists any arguments grounded in reason (Luhmann 1986: 244; 1996a: 62). Communication can be moralized as long as victims can be identified (Luhmann 1993b: x-xi). However, as heritage from previous societal forms, moral postulates universal values (Luhmann 1990a), and consequently spurs conflict rather than consensus in today's poly-centred society. Moral is bred by conflicts and encourages conflicts. Consequently, the protest moral of fear, rather than leading to resolutions, seems to have a function of alarm: "apparently, society activates moral communication to direct attention to aggravating side effects of its own structures and above all of its form of differentiation" (Luhmann 1997: 404). We see that the communication of fear organizes into social movements rendering visible the systematic risk production of the functionally differentiated society, and furthermore the social contingencies<sup>19</sup> on which this risk production is based<sup>20</sup>. Consequently, the really new aspect of protest movements today is not to be found

in the scattered remnants of a once powerful call for legality and economic solidarity, but in a new type of protest: in the rejection of situations in which one could become the victim of the risky behaviour of others (Luhmann 1993b: 136)

– which, in a radical perspective, is a protest against the risk-producing society by society itself. However, protests are communications addressed to others calling on *their* sense of responsibility. They criticize practices or states of affairs without offering solutions or taking on responsibility.

Consequently, the protest moral of fear activates basic, irresolvable conflicts because the postulate of representing universal values is contra-factual in today's poly-centred society. And it proves difficult for the communication of fear to catch on in society's dominating mode of communication. Not until the protest moral structurally couples with news-mediated communication, i.e. with functionally-differentiated communication, does the

'domino effect' commence in society. And, as the mass media extend globally, they provide global resonance to the communication of fear.

The protest moral of fear attains its penetration in society via the mass media exactly because of its specific character, which satisfies the news media selection criteria for attracting attention and reporting: novelty, conflict, local reference, intimacy, violence, and scandal (Luhmann 1996b). As soon as information is observed, it turns into non-information. Consequently, the news media must constantly produce new information. This leads to an exceptionally rapid dynamics, and is probably one reason for the news media's attention being increasingly perceived as arbitrary, and as projecting single cases at random. This might be seen, however, as the manifestation of a more general function in a society dominated by fear. You cannot check that every decision-maker lives up to the expectations of responsibility, but you can take random samples. So, the perpetual thirst for news and the arbitrary stroke of attention – which in the immediate perspective seems problematic – may have a function specifically matching the poly-centred society. As Luhmann observes (1996b: 47-48),

The mass media keep society awake. They produce a continuously renewed alert [...] insofar as the mass media 'match' the accelerating self-dynamics within other functional systems such as business, science and politics, which continuously confront society with new problems.

The news media's apparently random down-strokes on single cases out of the need for constantly new information become, on the one hand, trust checks as a function particularly suited for a poly-centred risk society where fear prevails. However, on the other hand, they increase the perception of fear being justified.

Via the mass media *the public perspective* is alarmed. Fear is made a common concern. The public perspective legitimizes that *private* decisions are made a matter of *public* debate (Baecker 1996). The public perspective continuously questions matters of course. We may understand the public perspective as the poly-centred society's prime mechanism of self-irritation; a perspective which makes it possible – and legitimate – to question all decisions as contingent. Again: we cannot expect consensus in a poly-centred society – as opposed to normative ideals of the public sphere as a centre for society's reasoning, grounded in discourse ethics and symmetrical dialogues (Habermas 1991; 1988) <sup>61</sup>.

This leads to two assumptions. One is that the public perspective increases society's hyper-irritation and activates several defence mecha-

nisms within society – one of these being organizational public relations structures. The other assumption is that the public perspective produces an immense communicative complexity, which is difficult if not impossible to relate to with reason (understood as insight into complexity). Instead, we see this complexity reduced in *public opinion* as patterns of ideologies, i.e. stereotype cognitive systems which organize opaque contexts and make it possible to orient and position oneself in the public communication processes even when dealing with matters of high complexity and dynamics. As Luhmann observes (1995b),

in this way anyone who wants to participate in the formation of opinion can equip himself with a position and endeavour to promote or prevent something, without knowing either the world or the truth.

Not least in regard to matters arousing fear do we see this reduction of complexity: apparently, the one who fears is automatically right. Public opinion tends to see the issues in black and white – e.g. industry on the one side and the supporters of organic farming on the other; the wealthy international drug industry on the one hand and poor Africans suffering from AIDS on the other. The latter example was provided in the case of the international drug industry versus South Africa in 2001, where the wording in a shared press release from Doctors without Borders and Oxfam reflects the self-legitimizing rationale of fear by the protest moral: “People die for lack of affordable drugs as inhumane industry ignores reality” (Oxfam 2001). We saw a form of argumentation based on fear which quickly caught on in the cognitive patterns of the global public opinion, whereas argumentation from politics and industry seemed too complex to catch on<sup>10</sup>. So, when fear catches on in public opinion, we may abandon ideas of consensus or reasoning. Nevertheless, public opinion has an important legitimizing function, based upon contra-factual ideals. When there is no ultimate reason in a poly-centred society, it is substituted with a reference to ‘public opinion’ (Vallentin 2002: 142).

As protest movements and the mass media – supported by the public perspective – project negative consequences of decision making, the political system is addressed directly. However, we can hardly expect risk problems to be solved within the framework of traditional legal forms. For in the case of risks we cannot in our present determine how others are to behave in future situations (see Luhmann 1993b: 59). Moreover, politics is at one and the same time society’s decision-maker no. 1, and consequently also society’s risk producer no. 1 – and the function to which the regulation of

the problem with risk is referred. These considerations reduce the probability that social risks can be eliminated or at least reduced by the political machinery of the state. Instead, we see that ways are being sought to resolve the situation below the political level. Decisions are being sent on to other functional systems, first and foremost to the economic system, for instance through the promotion of various governance structures and corporate social responsibility (see, e.g., EU 2001; European Commission 2001; EU Council 2002; European Parliament 2003). I argue that this is part of the background for the development in the old EU countries since the late 1900s, where obligatory other-regulation by law is increasingly being supplemented by a new form of decentralized self-regulation, characterized by a poly-contextual reference. This gradually leads to the activation of decision-makers' (i.e. organizations') focus on legitimization endeavours, and supplements the traditional legal agenda.

## 5. A DIALECTIC EVOLUTION OF DANGER AND RISK

Analyses of the interplay between risk and danger uncover specific societal learning processes: the protest moral is gradually absorbed and transformed into a new institutional range of legitimizing structures (see also Krohn 1999), such as ethical codes, sustainability certification and social and environmental reporting guidelines<sup>18</sup>. This is a pattern we have seen evolve since the 1960s in democratic, developed societies as an evolutionary process which, in a complex, poly-contextual interplay, goes through successive stages of different legitimizing practices: a counter-active stage (variation) followed by a reflective phase (selection) which grows into good practice routines (retention) and finally stabilizes as a taken-for-granted *reflective paradigm* in a neo-conventional stage (Holmström 2000; 2002; 2003; 2004). Focusing on the risk/danger dichotomy and specifically taking business as an illustration of the decision-making position – where any other functional rationality, e.g. politics, health, science, or education might have been chosen – a specific pattern appears.

### 5.1. The counter-active phase: conflict and prejudice

Where confidence prevailed and authorities were, until that time, more or less uncritically respected, we may perceive the students' rebellion of '68 as a symbol of the increasing awareness of society's continuous production of risk based on contingent decisions. The expression of fear and loss of confidence applies not only to business: we see a reaction against the authorities that dominate society.

In this phase, the protest moral of fear strongly opposes the functional moral of the decision-maker (and *vice versa*). Fear organizes in social movements based on the protest moral, focusing at that time in particular on society's strains on nature. As the concept of "grassroots" develops into "environmental activists", "protest movements" and "pressure groups", semantic changes reflect a growing impact on society's communication processes. In particular during the 1980s, the protest movements learn how to connect to the selection criteria of the news media with spectacular events. Conflicting positions are intensified in a moralizing discourse based on sentiments. The protest moral catches on via the news media and the public perspective, and politics is activated. We see a general hostile business climate and a rise in restrictive legislation. Surveys show an increasing gap of confidence between business on one side and citizens and the news media on the other.

The business community first ignores these attacks on the conventional economic assumption of responsibility. The moral obligation is identified with making profits – as expressed in the frequently quoted statement by Friedman (1970): "the social responsibility of business is to increase its profits".

Gradually a change takes place. As the attacks do not stop on their own account, and as they are experienced as influencing matters of market and legislation negatively, the critical environment gains resonance. In the leading parts of the business community, various counter-active public relations measures gradually become good practice in the attempt "to achieve understanding for the company and its societal importance" (DPRF 1997). However, the new environmental complexity is understood predominantly as hostile and reduced and reconstructed into "anti-commercial forces", "pressure groups", "a hostile press" and "restrictive legislation". Approaches include "buffering strategies" and "asymmetrical communication". Concepts such as "crisis communication" and "issues management" are spreading. The turbulent environment is reconstructed into what is perceived as more manageable stakeholder models. Still, the risk assumed is based upon a narrow economic rationality.

In retrospect, when this counter-action from the business community is seen in the light of the risk/danger dichotomy, it becomes obvious that the strategy of more information and the objective of gaining 'mutual understanding' as well as the endeavour to 'manage' the new environment in stakeholder models are doomed to failure. This is *partly* because the uncertainty in relation to future loss or damage cannot be resolved into certainty and security by more information when information about the future in

principle cannot exist; more information does not lead to more security – but to more risk. *Partly* because mutual understanding cannot be achieved when the positions of risk and danger systematically produce quite opposite views on the same matter. And *finally* because it is hardly possible any longer to distinguish categorically between the affected victim and the beneficiary of a decision<sup>191</sup>.

The counter-active phase is dominated by moral from the position of victim as well as decision-maker: protest moral and functional moral, respectively – perspectives which, in the light of unambiguous 1<sup>st</sup> order observations and the good/bad distinction, constitute self-righteous, intolerant positions and consequently irresolvable conflicts. However, the following reflective phase opens up flexible perspectives.

## 5.2. The reflective phase: socio-diversity and negotiations

In this phase the potential of moral conflict is disarmed and replaced by negotiations. Buzzwords are “symmetrical communication” and “stakeholder dialogue”. I contend that this negotiating communication implies the type of self-observation which is theoretically described as *reflection*. Communication which fails time and again – as has been the case in the conflict-ridden counter-active phase – leads to *reflection* (Luhmann 1995a: 144): communication on communication. Reflection means for the social system to be able to relate to itself and its perspective, its worldview, instead of being guided by it blindly. In reflection, the perspective rises from a *mono-contextual 1<sup>st</sup> order perspective* to a *poly-contextual 2<sup>nd</sup> order perspective*. Instead of seeing the world mono-contextually, in a self-centred way, and from a perspective enclosed within the system, the social system observes its own and others’ behaviour on the grounds of a perception *partly* of itself as a specific, independent dynamics which is part of a larger poly-contextual, interdependent network, and *partly* of the socio-diversity’s function in the processing of complexity of modern societies (Holmström 1998: 66-68; 2004). The perspective changes from prejudice to attempts at comprehension.

When experience with loss of confidence has accumulated within society over a period of time, business companies in particular and organizations in general increasingly realize that their licence to operate is endangered. The case of Brent Spar in 1995 symbolizes a turning point. The risk communication is transformed into the 2<sup>nd</sup> order worldview of reflection (see *supra*, Table 1). Ethical perspectives are made possible and moral is disarmed. I argue that while focus was on the material dimension in the

counter-active phase, and the problem perceived in the distinction between risk and security, in the reflective phase focus shifts to the social and temporal dimensions, and the counter-concept to risk becomes danger (see *infra*, Table 2).

The concepts of ethics and moral, resting in previous societal forms on ideas of commonly shared human norms and substantial values claiming universal commitment, do not resist a poly-centred formation of society; they become difficult to grasp as anything but a somewhat diffuse declaration of good intentions. However, as these are empirical themes in society's communicative practice, I suggest a reconstruction based upon the conditions of today's society and accept Luhmann's invitation to understand ethics as generated when "the moral difference problematizes its unity (and is not just taken to be nature)" (1986: 262). Consequently, we may understand moral as based on a 1<sup>st</sup> order worldview, whereas we may base ethics on the reflection of the 2<sup>nd</sup> order worldview. Ethics become a reflective view on moral, enabled by a rise from a mono-contextual to a poly-contextual worldview.

<i>Phase</i>	<i>Characteristics</i>
<i>Counter-active</i>	Level of observation: 1 <sup>st</sup> order Focus: Material dimension Distinction: Risk/security Mono-contextual conflicts between protest moral and functional moral Practice: Asymmetrical communication; buffering strategy; issues management; crisis communication Semantics: Issues, publics, credibility crises, manage
<i>Reflective</i>	Level of observation: 2 <sup>nd</sup> order Focus: Social and temporal dimensions Distinction: Risk/danger Poly-contextual negotiations between ethical perspectives Practice: Dialogue: symmetrical communication; bridging strategy; ethical programmes; values management Semantics: Ethics, corporate social responsibility, partnerships, corporate citizenship, values, dialogue, legitimacy

Table 2. Characteristics of the counter-active and of the reflective phase, respectively.

My analyses show that the reflective perspective is the particular new evolutionary feature of social processes in the latter half of the 20<sup>th</sup> century,

and I agree with Luhmann when he argues (1993b: 76), somewhat similarly, that

one has to be able to consider living with risk. In other words both sides have to give up perceiving the problem in the risk/security schema. If they do not so, there will be inevitable divergence on the question of whether the degree of security attained is sufficient or not. One has similarly to renounce the notion [...] that it is possible to decide correctly at any specific point in time. Instead there would have to be a continuous revision of position in relation to risk – the circumstance that one is assuming the risk becoming the most important source of information.

Accordingly, we can see that companies taking the lead increasingly acknowledge their corporate social responsibility, and invite the environment to take part in the decision-making processes, as for instance reflected in Shell's address to 'stakeholders and society': "We really do want to hear your views. [...] Help us learn what we do well and what we can do better. [...] Our aim is to give you the necessary information to form a view" (Shell 2000a: 3, 51; 2000b).

In this perspective, stakeholder dialogue can be seen also as a risk distribution strategy. By means of dialogue, organizations place part of the responsibility for, and risk of decision-making on their environment. This may be one explanation why rabid protest movements refuse to embark on dialogue with decision-makers. They regard it as being taken hostage. We also see that the protest is absorbed, is pacified as topics are taken on by corporate responsibility and sustainability measures within the business community. To a minor extent, we see new rabid protest movements arise which seem to ensure society continuous alarm and alert. However, most distinct is the transformation into *NGOs* – non-governmental organisations. From being based on sentiments and moral and negating positions outside the established society, the protest communication assumes functional features<sup>(10)</sup>. The role of *NGOs* evolves "progressively from primarily awareness-raising to implementation, participation in decision-making, and monitoring activities" (OECD 2001). When the representation of fear takes on the role of decision-maker, we can paradoxically ascribe risk to this position. We see a form of symmetry developing between danger and risk; the positions oscillate and interchange. The much-heralded concept of 'symmetrical' communication will always be asymmetrical in the relation between the risk and danger positions. However, both positions taking on a reflective responsible position may approach symmetry.

In the reflective phase we clearly see that the political system attempts

to defuse the problem of risk outside the political system. The regulation of risk is increasingly referred to governance structures, decentralized policy partnerships and negotiations between representatives of the risk and danger positions<sup>11</sup>; and the call for corporate social responsibility. As the idea of an overall responsibility for society increasingly takes on illusionary traits, the endeavours made by the political system increasingly concentrate on creating the illusion of an overall perspective and a "common fate" (Pedersen 1990: 107) as the reason for the rest of society to assume self-regulating responsibility. So, as opposed to conventional legislation which is obligatory, other-referential, this new type of political regulation is characterized by being 'voluntary' to business, i.e. self-referential.

Gradually, we see the business community taking the lead. Arguments reflect the way in which the distinction between profit and broader social responsibility is dissolved so that broader social responsibility and economic success are now seen as mutual prerequisites: "We believe that being socially responsible [...] in the long run makes sound business sense" (Frederiksen 1997: 5).

To conclude, the period portrays an evolution from counter-moralization towards a reflective view on moral leading to moral neutralization and an assumption of broader societal responsibility, as illustrated for instance in "the triple bottom line: People, Planet, Profit" – profit in consideration of people and planet. For, by not assuming the responsibility for people and planet in their decision-making, organizations put themselves into a position of danger.

The reflective phase is practiced only in organizations which for various reasons have felt challenged by this 'risky and resource demanding form of communication' (Luhmann 1995a: 114; Holmström 1998: 66-68). Reflection is resource-demanding because the poly-contextual considerations double the social communication processes and make decisions and decision processes far more ambiguous than does the mono-contextual perspective. And it is risky because it may raise doubts in an organization about its own rationality and *raison d'être*.

### **5.3. The good practice stage: reflection as routine**

In the good practice phase, we can see that routine is gradually relieving the reflective processes. The question is no longer: "To what extent does the business community regard considerations on social and environmental sustainability as part of its responsibility?" But: "Does the organization have an ethical programme? A stakeholder model? A social account? A sustainability report? A specific set of values?" Gradually, processes and

methods such as how to organize, measure, control and signal corporate social responsibility are taking over. Negotiations between the positions of risk and danger now deal with models, accounts, audits, certification, verification and standards.

It is increasingly considered as good practice to follow the role models within the business community from the reflective phase. The redefined role and responsibility of business is fixed in new structures. The moral protest communication has been absorbed into the reflective phase; the good practice phase is morally neutralized. To the broader field of business companies, reflection seems rather to be reflex, and risky decision-making relieved by reference to certification, verification, bench-marking, and stakeholder accounts.

A key phrase whenever scandal or crisis lurks is: "Yes, we are responsible and will take immediate action". Companies assume risk – although sometimes limiting themselves to rhetoric, but this promise of responsible action is becoming the most important source of information, since security cannot be promised in regard to future consequences. As Luhmann observes, "refusing to assume risks or demanding their rejection have become dangerous behaviours" (1993b: x).

The news media's attention is increasingly perceived as arbitrary, and as projecting individual cases at random. This is, however, gradually met with routine procedures and tackled as trust checks. Elaborate crisis communication plans are continuously renewed. Executives are coached for potential media interviews. Increasingly, top executives are chosen with an eye to their mass media appeal.

Routines to relieve the risk involved in daily decision-making are established. For instance: the finance director follows specific routine procedures to take into consideration social and environmental audits and ethical investors; the logistics director automatically checks foreign suppliers' approaches to child labour; the production director complies with internationally acknowledged standards to ensure that the production is living up to sustainability certification.

We can see that branding becomes a standard way of signalling the values behind a product – as a means to generate trust as a late modern substitute for the confidence grounded in the perception of consensus and security of the previous, modern society. While confidence is passive, trust is active and must continuously be regenerated. However, much-heralded strategies of transparency and communication hardly help where mistrust prevails and where the participants observe an issue on the basis of different distinctions. If the affected party evaluates probabilities, extent of

damage etc. differently from the decision-maker, communication and transparency will do nothing to change this. More probably, explicit communication is likely to reinforce an existing disposition, and insight into the complex patterns of decision-making will enhance the perception of uncertainty and danger. Transparency signals that the decision-maker has nothing to hide – but does not dissolve the uncertainty of the future or the basic conflict between decision-maker and victim. These traits might explain why explicit communicative practice increasingly focuses on symbolic or ceremonial activities. Stakeholder accounts, CSR departments, a professional discourse with concepts such as ‘dialogue with society’ may not relieve society’s inherent structural risk/danger tension, but may signal the corporate assumption of responsibility in decision-making and thus serve to generate trust.

In Scandinavia, major corporations (e.g. Novozymes, Danisco) involved in GMO production have given up their comprehensive information to the public and instead look for new strategies to generate trust: “It is not realistic to explain scientifically genome modification technology to the broad population. Instead we have to find a way to create trust between industry and population” (Kjærgaard 2003).

#### **5.4. The neo-conventional phase: re-stabilisation in hyper-irritation**

The empirical observations of the interplay between the positions of risk and danger through the latter half of the 20<sup>th</sup> century lead to my suggestion that new conventions for socially acceptable business practice have been established to relieve the hyper-irritation caused by fear as a prevailing feature of our late modern society. In a wider perspective, legitimizing structures are supplementing traditional legal structures as attempts at regulating risk. This applies to organizations in general.

However, the evolution and routinization of reflective structures in organizations do not resolve the risk/danger dichotomy. Rather, they are a way of learning to live with the constant alarm and alert activated by this inherent conflict and its highly complex context.

*Firstly*, the positions neither of danger nor of risk can be finally and decisively attributed to specific persons or organizations. For instance, when the position of danger is organized it in turn becomes a decision-making position – and thus itself a producer of risk. When communication is organized, decision-taking is automatically activated, and the organization produces risk – even if the underlying point of departure is the position of victims affected by organizational decisions. The decision of protest movements to campaign on a topic from the position of fear paradoxically involves risk. Another example: when the editorial board of a TV station

decides to broadcast a program revealing an assumed pollution scandal, it may represent the position of fear; however, it also takes a risky decision which may endanger the job of hundreds of employees of the company in question.

*Secondly*, the future consequences of decision-making involve complex ramifications, extremely long stretches of time between cause and effect, and a very high number of contributing and interrelated factors.

These traits make it impossible to pinpoint the decision-maker or to predict the probable risk with certainty. Consequently, fear will probably continue to prevail, and apparently society is learning to live with this hyper-irritated state.

## 6. CONCLUSIONS

As I have shown, fear activated by the risk/danger dichotomy contributes to creating a new social climate for organizations. Traditional regulation by law does not suffice. It is supplemented with legitimizing structures, which during the latter half of the 20<sup>th</sup> century caused a significantly increasing pressure on organizational legitimization. The source of danger is localized in contingent organizational decisions, which could have been taken differently, and which can be made the subject of criticism. Since organizations are constituted by decisions, organizations are systematically and inevitably producing risks. Consequently, no organization can escape the critical perspective from the position of danger. While the attribution of risk could formerly be regulated by the distinction between confidence and mistrust, the passive confidence in authorities and conventions is being replaced by the demand for a kind of trust which must continuously be regenerated, and which places organizations in a state of hyper-irritation; for, although organizations are forced to make decisions, these decisions have no ultimate justification. We cannot localize an ultimate reason or rationality which universally reduces the world's complexity. Organizations must continuously legitimize themselves in a turbulent environment in order to maintain their licence to operate in society.

Consequently, organizations' legitimizing structures become increasingly important. This development relates to organizations in all societal fields – politics, economy, science, health etc. – but for business in particular we see it expressed in reflective market rationales (the political, ethical or conscious employee, consumer, investor, organization); in the reformulation of corporate social responsibility towards broader value orientations as expressed for instance in "value management" and "the triple bottom line (People, Planet, Profit)", in ethical and social accounts and sustainability reports, in frequent mass-mediated 'trust checks' as to the legitimacy of

decisions, or to the localization of responsibility. State and market as the unambiguous horizon are replaced by an ambiguity constituted by the public sphere, the mass media and a growing number of stakeholders.

The risk/danger dichotomy involves complex future ramifications and oscillating positions which make it difficult to conclusively identify either risk or danger; it therefore presents such a level of complexity that it is subject to equally high reductions of complexity. *I argue that these reductions, if made from mono-contextual, moral 1<sup>st</sup> order observations, are probably the actual risk of our late modern society, since they will sharpen intolerance and conflict.*

From the understanding of the dynamics of a society where fear prevails as described in this essay, many mainstream perceptions, not only of the practice of organizational legitimization but also of theory, are given another dimension or even turned upside down. Most literature on organizational legitimization (in particular on public relations, corporate communication, stakeholder management) seems to rest on a modern paradigm implying belief in information, 'symmetrical' communication, transparency, dialogue, ethics, comprehension, and the willingness to compromise (see e.g. Burkart 2004). Such ideals have their limits or fail completely in a society characterized by the risk/danger dichotomy. *Symmetrical communication* between the innate asymmetrical positions of risk and danger becomes paradoxical. Likewise, the hope for *consensus* between positions which systematically generate opposite worldviews seems not to take into consideration the social structures involved. Rather than generating a feeling of security, *transparency* may increase uncertainty and fear. *Comprehensively informing the public* on risks and dangers equally seems to breed fear rather than confidence.

Instead I suggest sensitivity to the social and temporal dimensions of the phenomenon of fear as opposed to the material dimension, and the recognition that we shall probably, as Luhmann observes (1996a: 63), "have to live with this duality of fear communication and functional communication". If the future is to be seen from the point of view of what is probable or improbable, this means constantly reproducing differences of opinion in the present. However, as I have shown, this does not necessarily imply locked conflicting positions, but a dialectic evolution, where the empirical practice of organizational legitimization has indicated transformations of risk/danger communication into the 2<sup>nd</sup> order worldview towards a reflective paradigm.

Fear cannot apparently be resolved in our late modern society, based as it is on functional differentiation and the constantly lurking awareness of social contingencies as the source of danger. But social processes seem to find ways to cope with fear.

## Notes

1. The understanding of society in general and of fear as activated by the increasing attribution of danger to risky decisions is based on the theories of Niklas Luhmann (1927-1998), prominent late modern German sociologist, whereas the analysis of the consequences for organizations and the evolutionary dynamics between the perspectives of risk and danger is based on research undertaken by the author of this essay.
2. Communication: social processes continuously reproducing society (as well as organizations) by selecting meaning (Luhmann 1995a: chapter 4).
3. – and, as Luhmann remarks, “without being forced to take sides by our own mode of observation, which is just as dependent on individual distinctions as is that of the others” (1993b: 108).
4. “Something is contingent insofar as it is neither necessary nor impossible; it is just what it is (or was or will be), though it could also be otherwise” (Luhmann 1995a: 106).
5. And, as Luhmann observes, “In their seed these movements contain the potential of a radical criticism of society which by far extends what Marx had been able to see and to venture” (Luhmann 1996a: 15).
6. For a discussion of public relations analyzed by Habermas and Luhmann respectively, see Holmström 1997; 1998.
7. In a complexity-reducing version: if we give in and abandon our intellectual property rights (drug patents) in South Africa, fear will spread all over the world. Consequently, we will not gain the profits necessary to invest sufficiently in research and development to save even more human lives in the future. Also, it will not help since the actual problem in South Africa is the weak political and social infrastructure.
8. See e.g. AA1000 [www.accountability.org.uk](http://www.accountability.org.uk); GRI [www.globalreporting.org](http://www.globalreporting.org).
9. An example by Luhmann: “The direct neighbours of dangerous industrial plants are in the first place affected parties, but due to their interest in employment also beneficiaries. Whoever lives at a greater distance enjoys on the outside the advantages of reliable supplies even in the event of bottlenecks. Neither of the two groups is normally counted among the decision-makers; and the decision-maker, contrary to popular prejudice, is in no way necessarily the party that profits from the decision. It probably differs very much from case to case. The syndrome of participation/affected involvement permits no conclusive differentiation – be it with regard to role, occupation, organization or any other aspect” (1993b: 110).
10. Accordingly, I suggest we witness the emergence of a new functional system which fosters society's environment (human beings, nature) in society's risky decision-making.
11. In Scandinavia, a prominent example is the Nordic Partnership Forum ([www.nordicpartnership.org](http://www.nordicpartnership.org)) between the WWF World Wide Fund for Nature and some of Scandinavia's major companies.

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