

The Other Risk

ESG, environment-social-governance, is an approach to sustainability and risk evaluation in investment and insurance that considers the social and environmental impacts of an organization's actions and behavior. ESG-social risk generally means the risk of something untoward happening to a social group, be it the harm a coal mine might do to drinking water, or discriminatory hiring practices to a minority group. ESG-social risk is objective, *out-there*. However, there is also the flip-side, a *subjective* risk- the risk of a social group forming and doing something untoward to someone or some thing, for example, the collapse of Silicon Valley Bank in 2023 following a 1-day withdrawal stampede of \$42 billion. Call this *social risk*, and call this *out-of-control*.

Media in the Middle

Social groups are built with messages. Whether words, images, or actions- messages are signs whose meaning is individually learned. Too often the sender means something else, something different from what the receiver understands. That the something else is *learned*, is the engine of social reality. Now, enter a social media platform. The media platform sits in the middle of the conversation, controlling the content, amplifying a dialog from 2 to many thousands.

No Idea

Beyond algorithms listening to social media chatter as a means of market research or to anticipate risks to reputation, we really have no idea how to mitigate social risk. We are only beginning to understand the problem itself as something Max Fisher christened, *The Chaos Machine*.

Know the Enemy

And don't count on AI to help. An informal survey in 2023 by *The Economist* of artificial intelligence experts had 75% of respondents predicting AI *detection* will always lag AI *generation*.

What Now

The good news is there is an abundance of applied research in all aspects of social media. The challenge is these efforts are largely commercially based and focused on media platforms. Organizations involved in investment and insurance, and for whom ESG matters, will do well to become involved in applied research in social risk. The benefits of involvement at this time are a deeper understanding of the problem, and engagement with the community of developers of the algorithms that increasingly shape our social behavior. The opportunity to experience new methods for social risk anticipation will also provide agility for the future, whatever that may be.