

Making Missing Markets: An Initiative of the Federal Reserve Bank of New York



Summary

The Federal Reserve Bank of New York, through its Community Development function, is curating a conversation on the creation of markets of well-being that lead to place-based, cross-sector, upstream investments that produce opportunity-rich neighborhoods and communities.

Although trillions of dollars are spent to improve economic opportunity and well-being across many sectors, these efforts often fall short. Individuals, households, and communities continue to struggle because investments are typically fragmented. Moreover, they fail to attract private capital at a scale commensurate with the size of the problem. The *Making Missing Markets* (MMM) Initiative seeks to change this dynamic and improve well-being across all communities, especially for low- and moderate-income (LMI) communities.

MMM Starts with a Thesis

The United States spends more per capita on social welfare than almost any other country, but the outcomes do not reflect that investment. Too often that money targets the downstream consequences of well-being—such as unemployment, chronic disease, homelessness, and business disinvestment—instead of the upstream determinants, such as early childhood education, affordable housing, and workforce development. The upstream investments that are made are often poorly coordinated. The MMM initiative aims to reimagine and build markets that deploy existing public and private capital more effectively, creating stronger incentives for better outcomes.

Markets of well-being are made up of:

1. **Buyers** of products and services that produce well-being (e.g., governments, insurers, employers, community-based organizations);
2. **Producers** that generate well-being (e.g., schools, hospitals, social entrepreneurs, affordable housing developers) through both people- and place-based interventions; and
3. **Capital Providers/Market Makers** (e.g., philanthropy, impact investors, CDFIs, financial institutions) who provide the capital and innovate financing mechanisms, such as shared service agreements and pay-for-success models, that fund the upstream investments of well-being.

The challenge is connecting these buyers, producers, and capital providers/market makers who are willing to innovate and collaborate to accelerate investment in under-resourced communities. Community leaders who recognize the power of creating new markets, informed by the voice of the community, are best positioned to coordinate and drive this work.

At its core, this work is guided by several insights. First, neighborhood conditions function as “engines of change,” shaping long-term health and economic outcomes through place-based interventions. Second, upstream investments are more effective and less costly than downstream remediation yet remain underfunded due to fragmented systems. Third, risks cluster geographically, creating opportunities to align resources and interventions across sectors. Fourth, communities have an opportunity to shift from vicious cycles to virtuous cycles of growth, where gains in one domain reinforce improvements in others.

How MMM Works

The New York Fed’s Community Development team is building an ecosystem of individuals, organizations, and communities interested in exploring and acting on this thesis. The team is bringing together leaders across sectors who can imagine how to do better by developing new business models that address the root causes of multiple challenges, improving opportunity while saving tax dollars.

The effort started with—and continues with—*Design Teams*. These working groups, which are independently led by outside experts, with no formal oversight from the New York Fed, are designing interventions and ways to finance and support interventions that improve economic opportunity and well-being. For example, one Design Team is examining new business models that could attract private capital to sustainably fund community health workers—a proven strategy for improving community well-being.

And because place-based investment is central to this initiative, the New York Fed’s Community Development team has begun engaging communities it calls *Making Missing Markets Communities*. A Making Missing Markets Community is one where investments are being designed and implemented by a leading local organization(s) serving as the *Community Quarterback*. The Community Quarterback is trusted by its community and well-positioned to assess cross-sector needs, including those of the local economy. As with the Design Teams, these efforts are independently led, with no formal oversight from the New York Fed.

A Community Quarterback commits to championing key MMM principles:

- Focusing on community voice
- Prioritizing upstream investments
- Implementing cross-sector interventions
- Braiding resources across sectors and capital types
- Scaling existing and identifying new capital sources
- Promoting market-based, sustainable solutions
- Using, collecting and sharing data to validate interventions

What Success Looks Like

The Initiative is being piloted in five communities: Fairfield County, CT; Syracuse, NY; the Adirondacks, NY; Cincinnati, OH; and Columbus, OH. Each community is unique but committed to the core principles of the initiative. Success will be measured in concrete outcomes—such as children arriving at school ready to learn, fewer preventable hospitalizations, safer neighborhoods, and more stable housing—and by whether private capital begins to flow meaningfully toward these investments. MMM operates on the conviction that if buyers, producers, and capital providers/market makers are organized around the right upstream investments—in the right places, with the right data and leadership—communities can become opportunity-rich, one at a time.

Making Missing Markets reflects a powerful conclusion: We have sufficient resources to improve life outcomes at scale—what is missing is the market infrastructure to deploy them effectively.