FEDERAL RESERVE BANK of NEW YORK

COMMUNITY DEVELOPMENT

THE MAKING MISSING MARKETS INITIATIVE

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Key Takeaways:

- Making Missing Markets (MMM) seeks to encourage markets that finance upstream, cross-sector, place-based investments that improve well-being rather than primarily paying for the costly downstream consequences of poverty, poor health, and limited opportunity.
- MMM depends on a set of reinforcing principles and a coordinated ecosystem of community partners and capital providers to turn fragmented efforts into lasting cycles of opportunity.
- MMM is moving from theory to practice through pilot communities, design teams, innovative financing structures, and new partnerships that seek to attract private capital and scale upstream, cross-sector, place-based interventions in communities.

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Maggie Super Church and her partners at the Massachusetts Housing Investment Corporation made a missing market when they started the Healthy Neighborhoods Equity Fund in Boston in 2014.[1] This fund made it easier for banks and other equity investors to finance affordable housing and other high-impact community amenities that transform neighborhoods, strengthen communities, and create more economic opportunities. Investing in the upstream determinants of well-being is the essence of the idea behind the Making Missing Markets (MMM) Initiative.

> "Why can I invest in a company that makes a pill that lowers blood pressure, but I can't invest in a neighborhood that does exactly the same thing?"[2]

To better understand this approach to investing in communities, this paper provides: 1) an overview of MMM, 2) explanations of key concepts, and 3) a discussion of how we are attempting to operationalize this effort through the MMM Initiative convened by the Federal Reserve Bank of New York's Community Development team.

Part I: What Is the Making Missing Markets Thesis?

A market requires something of value to be produced that is purchased by a buyer. In most cases, those transactions require some sort of financial connector to help ease the process. Markets spring up everywhere all the time, but sometimes they require some nudging and encouragement. For example, the Federal Housing Administration (FHA) introduced the 30-year fully amortizing mortgage in the 1930s. The longer term allowed more borrowers the means to purchase homes and strengthened a floundering housing market during the Great Depression.[3]

I recognize that many will ask, "Why use the market to solve the inequality caused by the market?" And here I side with the economist Dean Baker who argues that the market is a tool and not the cause of inequality.[4] Yes, it can create inequality, but it can also be structured to incentivize more

[1] More details available at: https://www.mhic.com/hnef.
[2] Ibid.
[3] Matthew Wells, "A Short History of Long-Term Mortgages: Americans take today's selection of mortgages for granted, but financing a home is a much different experience than it was a century ago." Econ Focus
First Quarter 2023. Available at: https://www.richmondfed.org/publications/research/econ_focus/2023/q1_economic_history.
[4] Dean Baker, "The Left Needs to Learn to Love the Market; The Market is a Tool, Not the Enemy," October 28, 2025. Available at: https://cepr.net/publications/the-left-needs-to-learn-to-love-the-market-the-market-is-a-tool-not-the-enemy/.

equal outcomes. If there is a market for more affordable housing, there will be more housing. Incentives matter.

In that spirit, the New York Fed's Community Development team is curating conversations and creating spaces for a range of local and national actors to find each other and help develop markets that currently do not exist; more robust markets that make it easier to invest in improving the well-being of low- and moderate-income people and neighborhoods. This is something the Federal Reserve already supports both through its role enforcing the Community Reinvestment Act (CRA) of 1977 (effectively an anti-redlining law that requires regulators to evaluate how well banks lend, invest, and provide services in places where they take deposits), and in its efforts to make sure that the American economy works for everyone.

Despite trillions of dollars allocated to improve economic opportunities, health, and well-being across many sectors, too often those efforts are uncoordinated and disorganized. And they fail to attract the private capital that helps instill market discipline or achieve a scale that is commensurate with the problem.

Making Missing Markets (MMM) is an effort to reimagine how we use public and private capital more effectively—with improved incentives for better outcomes, so that we can develop more effective ways to reduce poverty and promote economic opportunities for everyone.

This new approach to investing in well-being will be different in different places and will evolve over time. But the core of this strategy uses cross-sector interventions (health, education, economic opportunity, etc.) that are place-based (in a neighborhood, a region, or rural community), and that focus on the upstream determinants of health, economic opportunity, and well-being.[5] MMM brings together leaders in those disparate fields and sectors to debate how we can do better; how might we create new business models that attack the roots of multiple problems to improve opportunities and save tax dollars.

[5] There have been many efforts to use this strategy in the past, starting perhaps with the Settlement House movement of the late 19th century in the U.S. with a through line to the Model Cities/War on Poverty efforts in the 1960s and modern version that were attempted in the Obama Administration (Promise Neighborhoods; Choice Neighborhoods; Strong Cities, Strong Communities). For a more detailed history of these efforts, see David J. Erickson, The Fifth Freedom: Guaranteeing an Opportunity-Rich Childhood for All (Washington, DC: Brookings Institute Press, 2023), pp. 46-55.

These new markets will be sustainable financially by avoiding downstream costs and generating revenue, thereby creating a virtuous cycle of community improvement. Reymundo Ocanas, head of community investing for PNC Bank, said at a recent Federal Reserve CRA conference that "capital is not scarce; it's scared."[6] It is also disorganized.[7] MMM is an effort to reduce risk and organize capital so it flows to where it needs to go, creating more opportunity and better economic and social outcomes for low- and middle-income communities.

The Status Quo: Lots of Spending, Little Coordination or Effectiveness

The United States has spent a lot of money on social welfare—and yet the poverty rate has hardly moved since the beginning of the 21st century.[8] The Organization for Economic Co-operation and Development (OECD) finds that the U.S. spends more per capita on social welfare (including health) than every other country in the world except France.[9] Why isn't the nation getting better outcomes? Part of the answer is that too often, money is spent treating the downstream consequences of living in poverty—chronic disease, remedial education, incarceration—instead of focusing on the upstream determinants of well-being.

[6] 2026 National Community Investment Conference (NCIC), Phoenix, AZ, March 24, 2026. Available at: https://fedcommunities.org/event/2026-national-community-investment-conference/

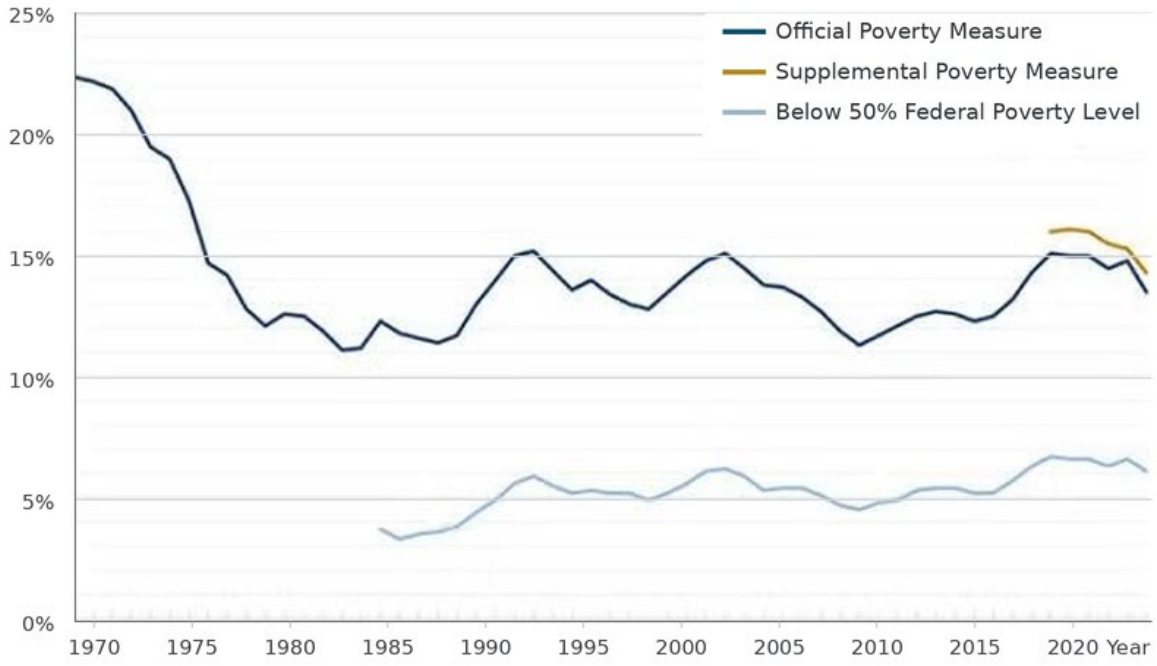
[7] This is a quote from another panel at the same NCIC conference from Mendi Blue Paca, CEO of the Fairfield County Community Foundation.

[8] H. Luke Shaefer, Poverty Solutions at the University of Michigan, et al, "Spending On Government Anti- Poverty Efforts: Healthcare Expenditures Vastly Outstrip Income Transfers," September 2019. Available at: https://poverty.umich.edu/files/2019/10/PovertySolutions-AntiPovertySpending-PolicyBrief-r6-1.pdf.

[9] Organisation for Economic Co-operation and Development. According to the OECD, "Social spending…includes providing financial assistance and services to those experiencing poverty, unemployment, or elderly individuals who are not part of the workforce. Additionally, social spending includes funding for healthcare benefits, family assistance programmes, and housing support initiatives." These expenditures can be direct or provided through the tax code. Available at: https://www.oecd.org/en/topics/social-spending.html. See also, Willem Adema , et al, "Sizing Up Welfare States: How do OECD Countries Compare?" OECD, February 2, 2023. Available at: https://oecdstatistics.blog/2023/02/02/sizing-up-welfare-states-how-do-oecd-countries-compare/

Figure 1: The U. S. poverty rate has barely budged in the last 35 years

United States Poverty Rate, 1959-2024[10]



Source: Center for Poverty & Inequality (University of California Davis)
Note: Historically, the official poverty rate in the United States had ranged from a high of 22.4 percent when it was first estimated for 1959 to a low of 11.1 percent in 1973. Since its initial rapid decline after 1964 with the launch of major War on Poverty programs, the poverty rate has fluctuated between 11 and 15 percent.[11]

Other drawbacks are lack of coordination and consistency. John C. Williams, President of the Federal Reserve Bank of New York, described our well-meaning but often ineffective social interventions in a speech: "Despite the availability of these resources and the good work being done, there is something missing: effective cross-sector interventions are more the exception than the rule. Efforts can often take the form of one-off interventions that lack the adequate dose, duration, or intensity to significantly improve conditions in the community."[12] Because no one "owns" the whole problem, no one "owns" the solution. This is what the MMM effort seeks to change.

[10]It was 11.3% in 2000 and 10.6% in 2024, U.S. Census, https://www.census.gov/newsroom/press-releases/2025/income-poverty-health-insurance-coverage.html
[11] Center for Poverty and Inequality Research, UC Davis. "What is the current poverty rate in the United States? Current estimates on poverty in the U.S." Available at: https://poverty.ucdavis.edu/faq/what-current-poverty-rate-united-states
[12] John C. Williams, President and Chief Executive Officer, "X Marks the Spot: Making Missing Markets," November 14, 2024. Remarks at Intermediating Impact: Making Missing Markets, Federal Reserve Bank of New York, New York City. Available at: https://www.newyorkfed.org/newsevents/speeches/2024/wil241114.

How is Making Missing Markets Different Than What Came Before?

There is a long history of policy efforts to combine people- and place-based strategies in improving communities dating back to the 19th century with pioneers such as Jane Addams and the Settlement House Movement. In the mid-20th century, there was the Model Cities Program—part of the War on Poverty.

In the wake of the 1960s War on Poverty, which has often been seen as a failure, community-wide revitalization efforts fell out of favor. In their place, local actors siloed off and focused on developing expertise in their individual fields, whether in healthcare, affordable housing development and management, or other aspects of community development. In the last few decades, there has been a renewal of cross-sector and place-based strategies. In the 1980s and 1990s there were programs such as Enterprise Zones, Enterprise Communities, the Comprehensive Community Investment Initiative, HOPE VI, Choice Neighborhoods, and Promise Neighborhoods. While these efforts showed promise, they struggled with capacity and staying power to turn around struggling communities.

We believe MMM might succeed where other cross-sector and place-based efforts have faced challenges because it is based on and integrates a set of quasi-market approaches that have shown real promise over decades. A quasi-market approach builds on a model that was pioneered by community development finance. That model uses incentives in the tax code (depreciation and investment tax credits) combined with block grants (Community Development Block Grants, HOME Investment Partnership) and market-rate capital from banks and other investors. Banks are often motivated to participate in this market by the Community Reinvestment Act. And Community Development Financial Institutions—essentially nonprofit banks—are designed to tackle these transactions even though they might appear risky to the run-of-the-mill investor. Community Development Corporations and others use that variety of capital sources to finance affordable housing and other real estate needs (schools, clinics, grocery stores, homeless shelters) for low- and moderate-income communities.

That quasi-market approach to funding the real estate needs of low- and moderate-income communities works. But MMM seeks to make that place-based intervention bigger and more effective by creating a larger market that invests in people-based efforts too. Investing in people- and place-based interventions together would evolve as the needs of the community evolved. This market dynamism would have a higher likelihood of success as opposed to more siloed programs that address only one or two issues at a time and lack coordination and proper feedback mechanisms.

How Does Making Missing Markets Work?

Making a market for opportunity-rich communities requires three simple components: buyers, producers, and connectors.

Buyers. There are multiple entities and sectors that are eager to pay for better economic, health, and resilience outcomes. The buyers include government at all levels, healthcare payers, property insurers, employers, philanthropists, and private capital impact investors. When this group of buyers are better organized, they will put sustained demand pressure on producers of well-being. And we know from economic history that markets are demand- driven.[13]

The potential level of demand in the buyer category is massive. We conservatively estimate that the U.S. spends over $1.5 trillion every year to address the downstream effects of poverty, poor health, lack of economic opportunity, and vulnerability associated with extreme weather (see below).

- **Economic Security**: In 2024, the federal government paid $476 billion for programs that provided aid (other than health insurance or Social Security benefits) to Americans facing hardship. According to the Center on Budget and Policy Priorities, these programs included: "the Earned Income Tax Credit and Child Tax Credit, which assist low- and moderate-income working families; programs that provide cash payments to eligible individuals or households, including unemployment insurance and Supplemental Security Income for low-income people who are over age 65 or disabled; various forms of in-kind assistance for low-income people, including the Supplemental Nutrition Assistance Program (formerly known as food stamps), school meals, low-income housing assistance, childcare assistance, and help meeting home energy bills; and other programs such as aid for abused or neglected children."[14]
- **Health:** Medicaid (government provided health insurance for the poor) and the Children's Health Insurance Program (CHIP) cost $626 billion in 2024.[15] That amount has been reduced recently but the final cost after those cuts is a moving target. It is worth noting that an overwhelming 90 percent of all medical care spending is for chronic disease and mental health.[16]

[13] Alfred D. Chandler, Jr., The Visible Hand: The Managerial Revolution in American Business (Cambridge, MA: Belknap Press, 1977).
[14] Center on Budget and Policy Priorities, "Where Do Our Federal Tax Dollars Go?" Available at: https://www.cbpp.org/research/federal-budget/where-do-our-federal-tax-dollars-go
[15] Ibid.
[16] Centers for Disease Control and Prevention, "Fast Facts: Health and Economic Costs of Chronic Conditions," May 26, 2026. Available at: https://www.cdc.gov/chronic-disease/data-research/facts-stats/index.html

- **Community Reinvestment Act (CRA) Investments:** Banks, motivated by the Community Reinvestment Act of 1977, invested $430 billion into low-income communities in 2024.[17]

- **Disaster Response:** In 2024, there were 27 weather disaster events with losses exceeding $1 billion each in the U.S.[18] It is hard to estimate how much the federal government routinely spends for these disaster events, in part because they vary from year to year. But the average annual cost to the federal government for disaster relief over the past five years was $43.5 billion.[19]

There are other downstream costs we could add to this accounting, including: special education for children who lacked childhood enrichment, reduced productivity for school dropouts, and the costs of crime (harm to victims, criminal justice, and incarceration) that could be reduced by upstream investments. But the bottom line is that the Making Missing Markets initiative is an effort to spend resources upstream to avoid the expensive downstream consequences of not attacking the roots of these problems—and create greater health, opportunity, resilience and economic mobility while doing so.

In addition to substantial government funds being redirected to downstream investments in health and social welfare, there are trillions of dollars in private capital[20] that are seeking both a financial and social return, which is known as impact investing. These buyers are looking to make MMM-style investments in communities.

Producers. The buyers will put demand on all of those who are producers of well-being—social service providers, affordable housing developers, educators, health professionals, etc.—to better coordinate their efforts. Working in concert, they are more effective. In other words, coordinated producers can create more well-being to meet the growing demand of buyers.

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[17] National Association of Affordable Housing Lenders, "Incentive to Impact: How CRA Leverages Private Investments into Affordable Housing, Homeownership, Small Businesses, and Local Economies." Summer 2026, available at: https://naahl.org/thecenter/cra. Also see an earlier analysis with a similar estimate by Laurie Goodman, et al, "The Community Reinvestment Act: What Do We Know, and What Do We Need to Know?" See Table 1: CRA Lending by Banks, p. 7. Available at: https://www.urban.org/sites/default/files/publication/100952/the_community_reinvestment_act_0.pdf.

[18] National Oceanic and Atmospheric Administration (NOAA), National Centers for Environmental Information (NCEI), "U.S. Billion-Dollar Weather and Climate Disasters," 2025. https://www.ncei.noaa.gov/access/billions/. See also: Sarah Ahmad and David Wessel, "What does the Federal Emergency Management Agency (FEMA) do, and how is it funded?" Available at: https://www.brookings.edu/articles/what-does-fema-do/

[19] Congressional Research Service, "The Disaster Relief Fund: Overview and Issues," Updated January 22, 2024. See Table A-2: "FY2023 Dollar Disaster Relief Appropriations, FY1964-FY2023." Available at: https://www.congress.gov/crs_external_products/R/PDF/R45484/R45484.31.pdf

[20] Dean Hand, et al, Global Impact Investing Network (GIIN), "Sizing the Impact Investing Market," October 23, 2024. Available at: https://thegiin.org/publication/research/sizing-the-impact-investing-market-2024/.

Producers of health, economic opportunity, climate resilience, and overall well-being include people-based producers like teachers, nurses, coaches, tutors, and scout leaders. And it includes place-based producers like affordable homes, living-wage jobs, good schools, community clinics, grocery stores, and libraries.

Connectors. Connecting those trillions in current downstream spending to the upstream interventions that need financial support is not easy. It requires "marketcraft," to borrow a phrase from the author Chris Hughes.[21] These connectors are the ones who structure the transactions; they include actors such as impact investors, entrepreneurs, and investors from community development financial institutions (CDFIs), banks, and private equity firms. Connectors can also be tools, such as layered funds that allow multiple investors with varying risk-return profiles to invest. They can be new financing vehicles like the Healthy Neighborhood Equity Fund mentioned above, special purpose bonds, and many tools not yet imagined or created.

> The Making Missing Markets thesis is that we need to organize the buyers, producers, and connectors to pay for upstream investments that save on unnecessary, avoidable, and expensive downstream costs.

We recognize that this market cannot materialize overnight. And that many of the current resources heading to downstream issues (e.g., treating avoidable chronic disease, getting struggling students up to speed in school) cannot be simply stopped. The transition to an upstream-oriented social welfare economy from a downstream-oriented one will require creativity in how to finance that transition in the least disruptive way possible. And it will require pilots and experiments across the country to test the best ways to organize buyers, producers, and connectors.

And while focusing on those in greatest need may seem too narrow, MMM's benefits will spread to a much larger group of people. PolicyLink founder Angela Blackwell popularized this idea in her description of the "curb cut effect." As she described it, the nationwide effort to make sidewalks more accessible to people in wheelchairs had far greater benefit to other groups—the elderly, parents with strollers, and delivery workers. MMM's focus initially is on alleviating poverty, but the goals are bigger than that; this approach is an effort to create a system of smarter upstream interventions that can help people of all ages, all incomes, all geographies.

[21] Chris Hughes, Marketcrafters: The 100-Year Struggle to Shape the American Economy (New York: Simon and Schuster, 2025).

Part II: Eight Key Concepts to Execute on Making Missing Markets

There are several concepts that undergird the MMM thesis:

Key Concept #1: Neighborhoods Are the Engines of Change

Carol Naughton, CEO of Purpose Built Communities, explains that neighborhoods are not just the locus of change; they are the "engines of change."[22] Many readers may have had the good fortune to recognize that countless things went right for them in childhood that allowed them to enter adulthood with the skills to thrive—and those good things happened in a neighborhood or close-knit community.

Many of us can point to a teacher, a coach, a minister, our parents, and a handful of friends who helped us on that journey. In other words, many people made investments in us as individuals that helped us grow and develop. In social science literature, this is often referred to as people-based interventions. Also, people can point to place-based aspects of their communities that facilitated their successful journey: good schools, parks, recreation facilities and sports programs, quality housing that was affordable, houses of worship, public libraries, clean air, and more.

The academic research on this subject is compelling. Raj Chetty at Harvard University has documented that neighborhoods provide people- and place-based advantages and that the longer a child lives in an opportunity-rich neighborhood, the more likely that child will grow up healthier, better educated, and wealthier.[23] So, the challenge is how to make sure that every child, regardless of class or geography, has ample opportunities to develop to their fullest potential. How could investments make every neighborhood an engine of change, a place where children thrive into adulthood?

These types of investments are good business. In fact, it is expensive *not* to make them. Society bears the downstream costs from the lack of such investments: reduced labor productivity, lower wages, fewer taxes collected, and more strain on multiple systems that handle bad outcomes like chronic disease, mental health challenges, crime, and homelessness.

[22] Carol Naughton, "Beyond Boundaries: How Bridging Capital is Rebuilding America's Social Fabric," available at: https://purposebuiltcommunities.org/2024/11/beyond-boundaries-how-bridging-capital-is-rebuilding-americas-social-fabric/.
[23] Raj Chetty, et al, "Creating High-Opportunity Neighborhoods: Evidence from the HOPE VI Program." National Bureau of Economic Research Working Paper No. 34720, January 2026.

Key Concept #2: Upstream Over Downstream Investing

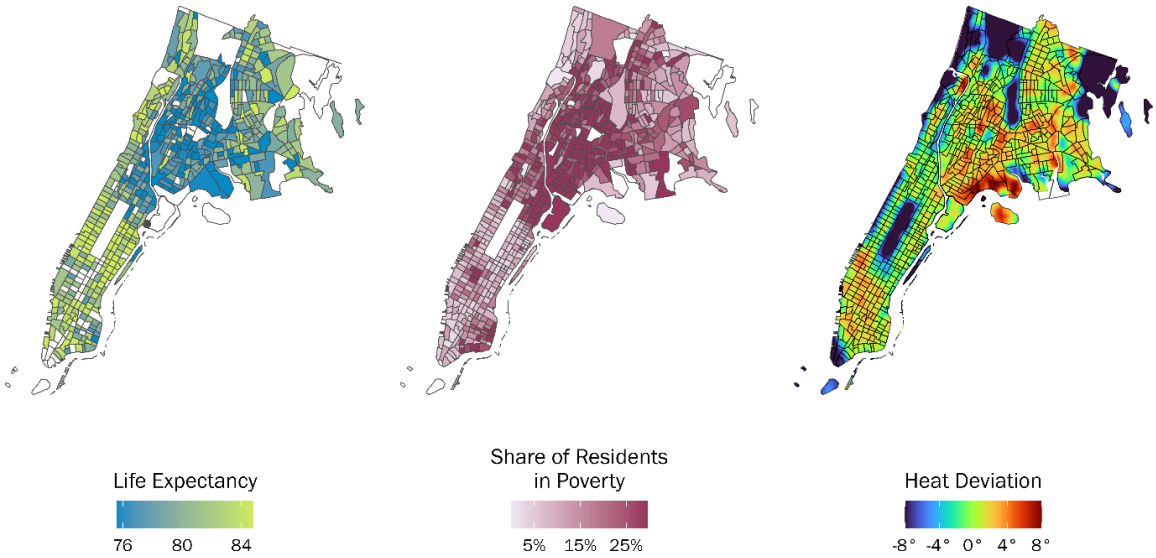
Reorienting spending upstream to avoid downstream costs (and suffering) would save money. The programs that ameliorate bad downstream outcomes have mixed results and, often, high costs. By contrast, programs that focus on the upstream determinants of health, economic opportunity, education and well-being tend to be more successful and less expensive overall. High-quality preschool, for example, has been shown by multiple cost-benefit analyses to create social cost savings significantly more than the cost of the program.[24] Building a grocery store in a food desert is more effective and cheaper than treating Type II diabetes later in life.[25] Tutoring kids to make sure they stay at grade level is more effective and cheaper than dealing with the negative effects that occur from dropping out of high school. The bottom line is that it is expensive to fix things once they are broken. It is far more effective, and cheaper, to steer clear of the problem in the first place.

[24] Arthur J. Rolnick and Rob Grunewald, "Early Childhood Development: Economic Development with a High Public Return," March 1, 2003. Available at: https://www.minneapolisfed.org/article/2003/early-childhood-development-economic-development-with-a-high-public-return.
[25] Jae In Oh, "Food deserts Exposure, Density of Fast-Food Restaurants, And Park Access: Exploring the Association of Food and Recreation Environments with Obesity and Diabetes Using Global and Local Regression Models," PLoS ONE 19(4): e0301121. Available at: https://doi.org/10.1371/journal.pone.0301121.

Key Concept #3: Social and Economic Vulnerabilities Often Overlap

The heat maps of Manhattan and the Bronx below show community-level risk through three different lenses: health, economic opportunity, and environmental risk. The patterns are strikingly similar.

Figure 2: The Geography of Health, Economic Vulnerability, and Heat



Source: City Health Dashboard, 2016-2021 5-Year American Community Survey, New York City Council Data Team

The first map on the left highlights areas of concern through the measurement of life expectancy, the best summary statistic for health. It shows that life expectancy is higher than the national average for most of Manhattan, but those numbers begin to drop in the Lower East Side and in Harlem and the Bronx. The middle map shows neighborhoods with higher concentrations of poverty—the bright red (indicating higher than average levels of poverty) in the Lower East Side, Harlem, and the Bronx. And finally, you see on the right, an assessment of parts of the city that are heat islands. Downtown and the Lower East Side and the Bronx are hotter than the rest of the city on hot days. Places with one risk often have multiple overlapping risks. This is not unique to New York City; it is a pattern you would see in any community across the U.S.

The Making Missing Markets initiative seeks to address *overlapping* vulnerabilities by calling for *overlapping* interventions using *overlapping* resources. These new interventions can tap into the significant resources of the health sector, the anti-poverty sector, community development finance, the economic development sector, and the programs designed to help communities be more resilient against extreme weather.

Key Concept #4: Turning Vicious Cycles into Virtuous Ones

Often when communities experience some sort of economic blow—a factory closes, demand for agricultural goods declines, a changing job market leaves workers without the skills to take advantage of new jobs—it creates cascading challenges. When the factory closes, unemployment rises, the local real estate market suffers, small businesses wither, more jobs are lost, and the spiral continues.

A "virtuous cycle," by contrast, is when one good outcome spurs on better outcomes in other sectors. The migration of middle- and upper-income residents back into cities in the 1990s, for example, transformed struggling neighborhoods into thriving places. Eventually, new businesses are hiring local workers, and local tax revenues improve. One success builds on another. Too often in the past, however, that change came from outside—wealthy new residents moved in and displaced the existing communities. MMM efforts look to foster virtuous cycles that create more opportunities for existing residents—development without displacement.

The benefit of a virtuous cycle is that it makes capturing value easier. A siloed intervention (e.g., reducing prisoner recidivism) might be easy to measure but it rarely succeeds in isolation. But with virtuous cycles, value in a community can be captured by rising real estate value and property taxes, stronger local economies, lower crime rates, better schools and test scores, improved health, and resilience to costly natural disasters.

The virtuous cycle captures value the way a tax increment finance (TIF) district does. TIF bonds finance physical improvements in a community (repaved streets, new parks, better street lighting, etc.) and the bonds are repaid with the increased property tax revenue that results from rising real estate value thanks to the improvements. What if overlapping TIF districts captured the externalized value created by cross-sector and place-based investments in the upstream determinants of well-being? The breakthrough here is to layer a real estate TIF with a health TIF[26] and an extreme weather preparedness TIF.[27] Could investors create a TIF for helping kids to flourish?[28] MMM participants could create and capture value across multiple systems.

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[26] For more on this concept, see Marisa Casellas-Barnes, Federal Reserve Bank of New York Teller Window, "Q&A with Nathaniel Counts, Featured Speaker at Health Equity Financing Event on Sept 13" August 25, 2022. Available at: https://tellerwindow.newyorkfed.org/2022/08/25/qa-with-nathaniel-counts-featured-speaker-at-health-equity-financing-event-on-september-13/.

[27] California Forward, "Announcing the First Resilience District Incubator Pilot Communities," available at: https://cafwd.org/news/announcing-the-first-resilience-district-incubator-pilot-communities/.
Connecticut Green Bank's Resiliency Districts.

[28] Investing In Flourishing Design Team.

Key Concept #5: MMM Needs a Community Quarterback Organization

We envision a core set of interventions that are coordinated to some degree by a community quarterback organization, as in the Purpose Built Communities model. In the Purpose Built approach, a community quarterback organization led by local leaders is focused on 1) cradle-to-career education; 2) mixed-income housing, 3) community wellness, and 4) economic vitality. Other interventions also have this coordinator role, such as Strive Together, which is a nationwide organization that is data-driven and coordinates multiple sectors to boost educational outcomes in a city or region.

These quarterback-led interventions are a scaffolding of sorts and could be expanded over time. For example, if you care about improving students' test scores, add your test preparation and tutoring service to the Making Missing Markets structure. If you are good at helping first-time home buyers set a solid financial plan to get into homeownership, attach yourself to the upstream intervention. The motto here is "more is more," with the goal of adding good ideas and smart interventions to the quarterback-built scaffolding.

Key Concept #6: Getting Beyond Zero-sum Thinking

Adam Smith acknowledges in *The Theory of Moral Sentiments* that people are motivated by self-interest, but they are also sympathetic to the needs of others and seek others' approval. Smith believed that markets required people to demonstrate mutual respect and morality to function properly.[29] The need for this generous spirit is also identified through game theory research. In a multiparty, multi-iterative game (e.g., investing in a neighborhood over many periods), trust and fairness are key to better economic outcomes.[30]

Similarly, MMM's benefits will not emerge if participants harbor a zero-sum mindset. If market actors fetishize their own narrow return, for their own narrow interests, then the effort is robbed of the collective action that could bring about a collective investment that, in the end, would meet and potentially exceed the narrow returns of all participants. As in the "Stone Soup" parable, it is only when everyone comes together and shares resources that they create positive-sum outcomes.[31] This

[29] Adam Smith, The Theory of Moral Sentiments, edited by D. D. Raphael and A. L. Macfie. (Oxford: Oxford University Press, 1976, 1984), pp. 43-66 and 179-211.
[30] Caitlin Duncan, et al, "Trust learning in the repeated trust game: A meta-analytic study." British Journal of Psychology, December 15, 2025.
[31] The Stone Soup story is a European folk tale about how a hungry stranger convinces a village to add what little food they were hoarding to his pot of stones and hot water. Once enough people contribute what they had, the result was a meal that fed them all. The classic children's book on this story is by Marcia Brown. Stone Soup: An Old Tale (New York: Charles Scribner's Sons, 1947).

moves community investments from one-off transactions (as often practiced in the community development sector) to a collection of investments that are transformational.[32]

Key Concept #7: Data and Technology Add Value

You cannot have a real estate market unless you have surveyors. You must know the exact size and location of a parcel before you buy it. Similarly, participants in the Making Missing Markets effort will need to find ways to know how much well-being, health, and economic opportunity they are buying with MMM's interventions. Innovators such as FirstPlace Partners at Harvard are developing biological measures that help us answer the question: "How much health and well-being am I buying with my MMM interventions in this community?" Measures of cortisol, cytokines, endocannabinoids, and DNA telomere length help make the answer not only concrete but monetizable.[33] Data on other improved outcomes—increase in school attendance, reduction in crime, higher test scores, more people stably housed—can also be monetized through shared savings agreements with the education, criminal justice, and social service sectors.

Over time, the data collected will create added value. Better analysis, assisted by artificial intelligence and kept confidential, will help identify patterns and refine and personalize which strategies work better than others. Consider the example of Lyra, an app provided by employers that helps employees find high-quality mental health counseling. Dena Bravata, one of the co-founders of Lyra, said that serving so many customers over the years has allowed the company to identify some patterns of when people reach out for help. Not surprisingly, it is common for someone who has experienced a traumatic medical event (e.g., heart attack, cancer diagnosis) to seek counseling a year later. What was nearly as predictive as the traumatic event was whether the customer started skipping regular dentist appointments the year before, which suggests growing instability. Imagine an MMM ecosystem where—with an emphasis on privacy protections—the people who missed routine dentist appointments were greeted with a text message that offered a zero-interest flexible short-term loan or simply checked in to see if the customer would like to talk with a counselor. The MMM market could gather and analyze data in a way that could enable undreamed-of customized interventions and assistance to individuals. And as an added layer of privacy protection, there could be an "opt-out" option for those who don't want to participate.

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[32] This idea was first articulated to me by Penelope Douglas.

[33] FirstPlace Partners collaborates with community leaders, anchor institutions, community developers, philanthropists, and other investors to explore how research on early childhood development and its underlying biology can enhance strategies focused on housing, economic development, and other opportunities to strengthen disinvested neighborhoods. Available at: https://firstplace.developingchild.harvard.edu/.

A more data-rich environment will help us build platforms and other technological infrastructure to guide this work. Communities need strong open-data infrastructure that can frequently and reliably capture vulnerability, well-being, and outcomes. And artificial intelligence could help identify promising strategies and interventions. For example, in a Cincinnati case study, agentic AI is already being used to draft legal documents, build financial models, and summarize outcome reporting that make the "many solutions to many concerns" strategy of MMM work. Technology-powered improvements for efficiency and effectiveness in the social service sector, much of them driven by artificial intelligence, are only just beginning.

Key Concept #8: Community Guidance

Larger-scale interventions that do not involve the voice and guidance from the affected community fail. Nobel Laureate Elinor Ostrom in her book, *Governing the Commons*, argues that communities can organize and develop self-imposed guiding principles to help manage problems that one person does not entirely own. These principles, as opposed to linear-thinking government programs, are adaptable to a constantly changing reality. Because the community develops these principles, their social capital is strengthened; they also achieve buy-in that helps them follow the principles and enforces them on themselves. For example, a community might decide that bringing in new investment might trigger gentrification pressures; in light of this, they might respond by creating a community land trust and other community-ownership structures to help manage the transition of the neighborhood so existing residents can benefit from local economic growth. For an excellent application of Ostrom's concepts and how they can guide investment into making communities stronger and more opportunity-rich, see the discussion around the vital conditions for flourishing communities as put forth by the Rippel Foundation.[34]

[34] The Vital Conditions for Health and Well-Being framework outlines the key factors that enable people and communities to thrive. Organized into seven categories, each vital condition represents a crucial aspect of overall well-being. Available at: https://rippel.org/vital-conditions/.

Part III: New Ideas, New Partnerships, and New Sources of Capital

How do we bring the concept of Making Missing Markets to life? The premise is simple: focus on upstream cross-sector and place-based interventions that are made sustainable over the long term by avoiding downstream costs like chronic disease and remedial education while maximizing health, economic prosperity and opportunity. But actually implementing this idea is complicated.

To chip away at that complexity, the MMM initiative has several hundred volunteers across the country who have organized themselves into work groups, what we call Design Teams, that are tackling this effort from multiple angles. Kirsten Moy, for example, is contributing thought leadership on how to incorporate the insights of complex adaptive systems that create a new framework to analyze problems and propose solutions. Another group, led by Sara Olsen, is working on new approaches to rural development. Another, led by Brian Vo, is focused on connecting low- and moderate-income communities to high-speed internet service. Penelope Douglas is leading a working group that envisions local artists as "guides on the ground" for helping communities develop a vision for self-improvement, which makes them more attractive to investors.

To come alive, such good ideas need investment. That is why several Design Teams are focused on how to make new ideas sustainable as money-making, or money-saving, endeavors. Creating value in a community can be a way to develop revenue or avoid downstream costs. Both approaches can create a reliable cash flow. And a reliable cash flow allows the financial engineers on Wall Street to create new financial models to pay for the needed upstream investments that create that value in the first place. No effort to dramatically improve the life chances of millions of people will succeed until it is able to attract private capital to help bring about efficiencies and scale.

Several Design Teams are playing the role of connectors to make it easier to invest in new ideas and new approaches. For example, a team led by Tyler Norris and Dr. Leslie Walker is using the idea of "attributable lives"[35] from population health research and combining it with a stadium finance authority model that can make multiple simultaneous pay-for-success contracts with multiple systems (e.g., health, education, employers) and payers to invest in upstream interventions over the life course of children. Both Andrea Levere and Michael Swack lead Design Teams tackling the

[35] "In population-based health research, the so-called population attributable fraction is an important quantity that calculates the percentage of excess risk of morbidity and mortality associated with modifiable risk factors for a given population." Y. Wang and Ying-Qing Chen, "Estimating Attributable Life Expectancy Under the Proportional Mean Residual Life Model," Statistics in Bioscience 11, no. 3 (December 2019): 659-676.

problem of how to finance and capitalize nonprofits in new ways that allow them to take on equity capital for research and development and growth. Others are focused on how to make the secondary market for community development loans more robust so that the sector is more liquid and responsive to community needs. You will find more details on the mosaic of new ideas, new partnerships, and new sources of capital on the MMM website.[36]

Making Missing Markets Communities

To learn if these new approaches can work, we need to try them in a handful of places to pilot and workshop them. The core intervention will be place-based (most often a neighborhood), cross-sector, and focused on the upstream determinants of economic opportunity, health, climate resilience, and well-being. This minimally viable approach will be led by a community quarterback. But it is important to remember that every intervention will be different at the outset. And every intervention will evolve differently over time. Some will become parts of other configurations; others will remain independent but will be coordinated. These efforts will grow and change through data-informed trial and error and ongoing strategy and implementation refinements.

Currently we have six MMM communities, with many more under consideration. They are:

1. Fairfield County, Connecticut
2. Syracuse, New York
3. The Adirondacks, New York
4. Cincinnati, Ohio
5. Columbus, Ohio
6. Buffalo, New York

These MMM communities are unique and are motivated differently with different priorities. But they all have the following characteristics because they: 1) center community voice, 2) convene and translate across sectors, and 3) align resources around shared goals. We will know the efforts are making progress when money flows to those places and they see improved social, economic, health, and well-being outcomes.

Cincinnati: A MMM Case Study in Progress

Cincinnati has been in the vanguard of the MMM movement and is a great case study. MMM in Cincinnati was spearheaded by the Cincinnati Children's Hospital (CCH), a highly respected anchor institution that knows the cost of not investing in the upstream determinants of well-being. CCH

[36] https://www.newyorkfed.org/outreach-and-education/making-missing-markets

experiences that financial cost and emotional toll every day as the medical professionals there see too many preventable illnesses and traumas in the children they treat. Through its Accountable Care Organization (ACO), CCH also is the insurer of most of those kids and writes the checks for that expensive medical care inside the hospital. To a significant degree, CCH "owns the problem" of the lack of coordinated cross-sector and place-based upstream interventions in their community.

CCH is a community quarterback. And they are working with an innovative Design Team, Investing In Flourishing (IIF). IIF is developing a series of shared savings agreements with local healthcare payers, school districts, public safety agencies, local employers, and others to generate revenue to pay for upstream investments in children to put them on a stronger path to success in adulthood. This also improves the health of children and reduces costs for the hospital's ACO.

The Federal Reserve Bank of Cleveland hosted meetings for the Cincinnati MMM community at its branch in Downtown Cleveland. Those meetings brought together *buyers* of well-being—healthcare payers, large employers, education, local government, philanthropists, and private sector capital providers. The Cleveland Fed also invited *producers* of well-being—community development corporations, affordable housing developers, YMCAs, schools, artists and arts organizations, etc. IIF is a lead *connector* along with the United Way. Together, they rely on other local connectors—Fifth Third Bank, JP Morgan Chase, local CDFIs, and a very innovative Port of Greater Cincinnati Development Authority that can issue bonds. There is more work to do, but this mix of buyers, producers, and connectors is poised to reorient spending upstream for at-risk kids in Cincinnati.

Conclusion

Making Missing Markets is firmly grounded in the belief that the nation has enough money and enough smart people of goodwill to create an opportunity-rich childhood for every kid. The effort requires seeing the problem with new eyes along with a willingness to evolve. And participants must engage private capital to fund the solutions. As attractive as it is to think that philanthropy can move the needle in communities, it is worth recognizing that all grants from all foundations last year were slightly above $100 billion.[37] That is about what would be necessary to fund all the deferred maintenance in the public housing portfolio of New York City without tackling any of the other issues that are facing low-income communities in New York City—or any other city in America.[38] The capital

[37] Giving USA 2025: The Annual Report on Philanthropy, Lilly Family School of Philanthropy at Indiana University, Indianapolis. Available at: https://givingusa.org/.
[38] Office of the Mayor of the City of New York, Block by Block, June 2025. Available at: https://www.nyc.gov/content/dam/nycgov/nyc-main/pdf/2026/block-by-block-report.pdf.

markets, by contrast, have over $100 trillion in assets.[39] Until communities can tap into the resources of the capital markets with a new business model, they will not have the resources to solve the challenges they face.

While this approach would disproportionately benefit low-income people and people living in poverty, it would benefit every child. At its core, MMM is a smarter and better-tailored set of upstream interventions that could benefit neighborhoods, communities, and all people who could use a nudge in the right direction.

In *The Wealth of Nations*, Adam Smith questioned how the modern economy took root in many cities in Northern Europe in the 1500s. Smith described them as "islands in a feudal sea." Those islands of innovation slowly outcompeted the economies around them. And feudal lords gave up their power in exchange for the luxury goods and economic growth these early markets provided. MMM communities could become islands of virtuous cycles in a sea of siloed interventions. MMM has the potential to make it much easier to invest in improving the wellbeing of low- and moderate-income people and neighborhoods—and to reap the financial and social rewards that such a virtuous cycle creates. In the end, it is both fairer and cheaper.

[39] Securities Industry and Financial Markets Association, "2024 Capital Markets Fact Book," p. 6.