During the Cold War era, Western economies delivered broad and growing prosperity for the middle class. This nurtured a general faith in political institutions and culminated in the democratic triumphalism of the 1990s.

In a new essay called “The New Challenge to Market Democracies,” William Galston of the Brookings Institution argues that this era is over. In Europe, growth has stagnated and unemployment is at catastrophic levels, especially for the young. Japan is afflicted with economic stagnation and demographic decline. In the United States, the middle class is hollowing out. The median annual earnings of workers with bachelor’s degrees have not increased in three decades.

A tree known by its fruit, democratic capitalism, Galston observes, has not produced the expected crop. This has led to a loss of confidence in the regime. Galston’s essay is about how economic problems degrade the national spirit and lead to a loss of faith in the whole enterprise.

I think the malaise can be pinned down more precisely. In our meritocratic culture, satisfying and stretching work has become a psychological necessity. More than ever before, we are defined by what we do. If you are of prime age and you are not in the labor force, or engaged in some deeply stretching activity like parenting, then you will begin to feel drained inside. If you are in a dysfunctional workplace with bad personal relationships and no clear purpose, a core piece of you will begin to degrade. If you are not earning enough money so you can feel respected, and live without desperate stress, you will begin to lose confidence and élan.

And that is what’s happening today. The labor force participation rate is at its lowest in decades. Millions are in part-time or low-wage jobs that don’t come close to fulfilling their capacities. Millions more are in dysfunctional or unhealthy workplaces, but they don’t feel they can leave because they don’t think there are
other jobs out there that pay the same amount.

The country is palpably in the middle of some sort of emotional recession. Yet over the past five years, the political class has done essentially nothing. That will fill future generations with astonishment and should fill the current generation with rage.

It is precisely at this moment that leaders are called upon leap past the current moment and to point the way to the sun-drenched path ahead. You may disagree with every policy they ever uttered, but Ronald Reagan and Margaret Thatcher leapt beyond the stagnant mood of the late 1970s.

If you get outside the partisan boxes, there’s a completely obvious agenda to create more middle-class, satisfying jobs. The federal government should borrow money at current interest rates to build infrastructure, including better bus networks so workers can get to distant jobs. The fact that the federal government has not passed major infrastructure legislation is mind-boggling, considering how much support there is from both parties.

Other shifts are more fundamental, but should be the signature themes of the next political era. First, the government should reduce its generosity to people who are not working but increase its support for people who are. That means reducing health benefits for the affluent elderly. But it means, as Michael Strain of the American Enterprise Institute recommends, increasing wage subsidies when employers hire the long-term unemployed and issuing relocation subsidies so people in high unemployment areas can move.

Second, the tax code could do a lot more to encourage work and investment. Ideally, we’d move to a progressive consumption tax. But at least we could have the sort of tax reform that Senators Marco Rubio and Mike Lee have suggested, which would simplify the code while subsidizing middle-class families. The fact that Washington hasn’t even made a run at serious tax reform is another sign of utter political malpractice.

Third, the immigration system should turn into a talent recruiting system, a relentless effort to get the world’s most gifted and driven people to move to our shores.

Fourth, there has to be a doubling-down on human capital, from early-education programs to community colleges and beyond. Today, too many people are focused on the top 1 percent. As the economist David Autor has noted, if you took all the gains in share of income of the top 1 percent from 1979 and 2012 and spread it among the bottom 99 percent, each household would see an increase of
$7,000. But if you take a two-earner, high-school-educated couple and get them college degrees, their income goes up by $58,000 per year. Inequality is mostly a human capital problem.

This isn’t rocket science. Vast majorities support every idea I’ve mentioned here. It just takes a relentless focus on job creation, bold political leadership and a country willing to be shaken out of its fear.

**Correction: November 3, 2014**

David Brooks’s column on Oct. 24 misstated a research finding. If the top 1 percent’s gains in share of income from 1979 to 2012 were redistributed among the bottom 99 percent, each household would see an increase of $7,107. It is not the case that if one redistributed the top 1 percent’s gains in wealth over that time, each household would get $7,000.


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