

BASIC CONCEPTS OF DEMOCRACY

TEXT SUMMARY

The American concept of democracy rests on five basic notions. First, each individual has worth. Second, all individuals are equal. Third, the majority of the people rules, but the majority must respect the rights of any minority. Fourth, **compromise**, or the blending and adjusting of competing interests, is necessary. Fifth, each individual must have the widest possible degree of freedom.

The American commitment to freedom is evident in the nation's economic system. This system, often called the **free enterprise system**,

is based on private ownership, individual initiative, profit, and competition. Also known as capitalism, this system does not rely on the government to make economic decisions. Rather, individuals make those decisions through the **law of supply and demand**. That law says that when supplies of goods and services become plentiful, prices tend to drop; when supplies become scarcer, prices tend to rise. The American economic system is most accurately called a **mixed economy** because the United States government does play a role in the economy by regulating and promoting it.

THE BIG IDEA

Democracy rests on the rights and freedoms of individuals; the American commitment to these ideals is evident in its free enterprise system.

GRAPHIC SUMMARY: *The Basic Notions of American Democracy*

Notions of American Democracy	
✓	Each individual has worth.
✓	All individuals are equal.
✓	The majority should rule but must respect minority rights.
✓	Compromise is necessary.
✓	Each individual must have the widest possible degree of freedom.
✓	The nation's free enterprise economy reinforces the belief in individual freedom.

The American government and economy are both rooted in a deep commitment to individual freedom.

REVIEW QUESTIONS

1. How does the law of supply and demand work?

2. **Chart Skills** How does the United States' free enterprise economy relate to individual freedom?