

IRELAND

Economic Freedom Score



World Rank: **11** Regional Rank: **3**

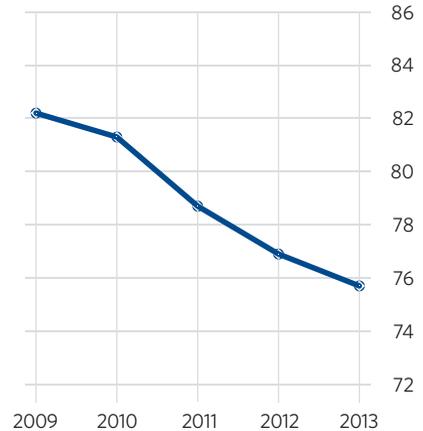
Ireland's economic freedom score is 75.7, making its economy the 11th freest in the 2013 *Index*. Its score has decreased by 1.2 points from last year, with declines in six of the 10 economic freedoms including business freedom and freedom from corruption. The Irish economy has fallen to 3rd place in the Europe region behind Switzerland and Denmark.

The ballooning cost of bailouts has turned a banking crisis into a sovereign debt crisis. Challenges in government spending and financial freedom are particularly significant, and perceptions of corruption have increased. A rising budget deficit increases the debt burden. In an attempt to reinforce the principle of limited government, Ireland has placed a high priority on fiscal discipline and public-sector restructuring. The financial sector was hit hard by the collapse of a property bubble to which banks were highly exposed, but substantial recapitalization has been ongoing.

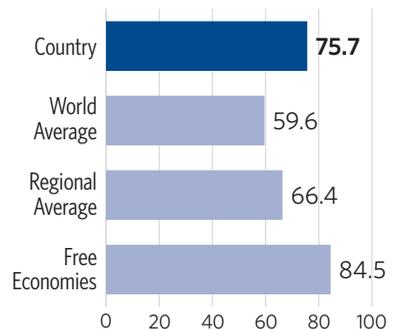
Despite its recent difficulties, the Irish economy, because of its high overall level of economic freedom, has some significant institutional strengths compared to other troubled eurozone economies. Property rights are well established, and the judiciary is stable. The streamlined regulatory process facilitates dynamic investment and does not interfere with business decisions necessary to enhance productivity.

BACKGROUND: Prime Minister Enda Kenny's Fine Gael government was elected in February 2011. Ireland is a member of the eurozone and ratified the European Union's Lisbon Treaty in October 2009 after a second national referendum. The government's highest priority is restoring banking-sector health. Ireland's modern, highly industrialized economy performed extraordinarily well throughout the 1990s, encouraged by free-market policies that attracted investment capital, until the burst of a speculative housing bubble in 2008. A National Recovery Plan published in 2010, after the government nationalized several banks and accepted a \$90 billion European Union–International Monetary Fund rescue package, aims to get the economy back on a solid footing by 2015.

Freedom Trend



Country Comparisons



Quick Facts

- Population:** 4.6 million
- GDP (PPP):** \$181.6 billion
- 0.7% growth in 2011
- 5-year compound annual growth -1.0%
- \$39,639 per capita
- Unemployment:** 15.0%
- Inflation (CPI):** 1.1%
- FDI Inflow:** \$13.1 billion
- Public Debt:** 105.0% of GDP

How Do We Measure Economic Freedom?

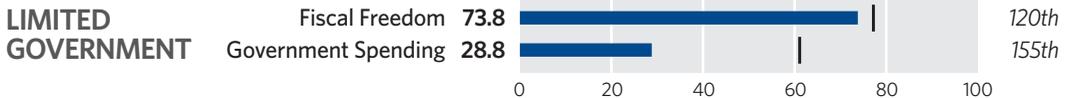
See page 477 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2011 data unless otherwise noted.
Data compiled as of September 2012.

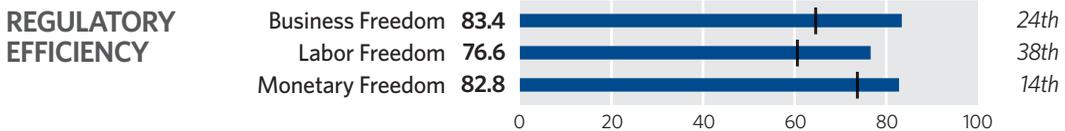
THE TEN ECONOMIC FREEDOMS



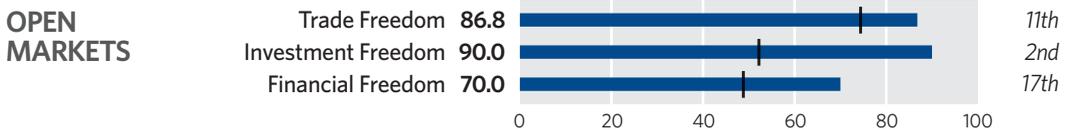
The rule of law is upheld strongly by an independent judiciary within a sound legal framework. An efficient, non-discriminatory legal system protects the acquisition and disposition of all property rights. Contracts are secure, and expropriation is rare. Ireland has one of Europe’s most comprehensive legal frameworks for the protection of intellectual property rights. Corruption is an increasing though not yet critical concern.



The top income tax rate is 41 percent, and the top corporate tax rate is 12.5 percent. Other taxes include a value-added tax (VAT) and a capital gains tax. The total tax burden equals 28 percent of total domestic income. Government spending is equal to 48.7 percent of GDP. Despite ongoing austerity measures and reduced budget deficits, public debt has grown to over 100 percent of total domestic output.



The efficient regulatory framework supports business formation. With no minimum capital requirement, establishing a business takes only four procedures and slightly longer than one week. Completing licensing requirements is not burdensome. The labor market remains relatively flexible, with labor costs moderate. Despite continuing deleveraging from the 2008 housing bubble crash, inflation has been relatively well contained.



The trade-weighted average tariff rate is a low 1.6 percent as with other members of the European Union, and there are few significant non-tariff barriers. Domestic and foreign firms generally receive equal treatment under a competitive and efficient investment regime. The banking sector remains in turmoil. The government increased its stake in Allied Irish Bank to over 99 percent, but the Bank of Ireland has avoided majority state ownership.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-0.1	Business Freedom	-9.4	Trade Freedom	-0.3
Freedom from Corruption	-5.0	Government Spending	-1.6	Labor Freedom	-1.8	Investment Freedom	0
				Monetary Freedom	+6.1	Financial Freedom	0