IRELAND

Ireland’s economic freedom score is 80.5, making its economy the 6th freest in the 2019 Index. Its overall score has increased by 0.1 point, with improvements in fiscal health and government spending offsetting a sharp drop in judicial effectiveness. Ireland is ranked 2nd among 44 countries in the Europe region, and its overall score is well above the regional and world averages.

The Irish economy has registered impressive growth, but the government faces many economic policy challenges. As a small, open economy, it has responded effectively to global fluctuations. Government debt is high, and the banking system is still burdened with hefty residential property mortgage arrears and impaired loans to small and medium-size enterprises. However, low corporate taxes and a talented high-technology labor pool attract foreign multinationals, and Ireland’s strong economic fundamentals are undergirded by solid protection of property rights and an independent judiciary that safeguards the rule of law.

**ECONOMIC FREEDOM SCORE**

- **REGIONAL RANK:** 2
- **WORLD RANK:** 6
- **ECONOMIC FREEDOM STATUS:** FREE
- **ECONOMIC FREEDOM SCORE:** 80.5 (UP 0.1 POINT)
- **WORLD AVERAGE:** 60.8
- **REGIONAL AVERAGE (EUROPE REGION):** 68.6

**RELATIVE STRENGTHS:** Investment Freedom and Fiscal Health

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995):** +12.0

**CONCERNS:** Judicial Effectiveness and Financial Freedom

**FREEDOM TREND**

- 2015: 76.6
- 2016: 77.3
- 2017: 76.7
- 2018: 80.4
- 2019: 80.5

**QUICK FACTS**

- **POPULATION:** 4.7 million
- **GDP (PPP):** $357.2 billion
- **INFLATION (CPI):** 0.3%
- **FDI INFLOW:** $29.0 billion
- **PUBLIC DEBT:** 68.5% of GDP

**BACKGROUND:** Leo Varadkar succeeded Enda Kenny in 2017 as leader of the center-right Fine Gael and became the youngest prime minister in Irish history. Fine Gael lost its parliamentary majority in 2016, however, so he heads a minority government. A 2018 vote ending a strict constitutional ban on abortion reflected an increasingly secular and socially liberal electorate. The small, modern, and trade-dependent economy has performed extraordinarily well for decades and was among the first in the European Union to recover from the 2008 financial crisis. Foreign multinationals dominate the export sector, led by machinery and equipment, computers, chemicals, medical devices, pharmaceuticals, foodstuffs, and animal products. Post-Brexit trade and border arrangements with the United Kingdom are key issues.

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### 12 ECONOMIC FREEDOMS | IRELAND

**RULE OF LAW**

<table>
<thead>
<tr>
<th>Property Rights</th>
<th>Judicial Effectiveness</th>
<th>Government Integrity</th>
</tr>
</thead>
<tbody>
<tr>
<td>85.8</td>
<td>68.4</td>
<td>78.0</td>
</tr>
</tbody>
</table>

(-1.9) (-10.6) (-1.0)

Property rights are well protected, and secured interests in property, both chattel and real estate, are recognized and enforced. Contracts are secure, and expropriation is rare. Ireland’s legal system is based on common law, and the judiciary is independent. Outright public corruption is rare and is investigated and prosecuted. Legislation combatting cronyism was recently signed into law but has not yet been implemented.

**GOVERNMENT SIZE**

<table>
<thead>
<tr>
<th>Tax Burden</th>
<th>Government Spending</th>
<th>Fiscal Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>76.3</td>
<td>77.4</td>
<td>89.0</td>
</tr>
</tbody>
</table>

(+0.2) (+7.8) (+8.2)

The top personal income tax rate is 41 percent, and the top corporate tax rate is 12.5 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 23.0 percent of total domestic income. Over the past three years, government spending has amounted to 27.4 percent of the country’s output (GDP), and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 68.5 percent of GDP.

**REGULATORY EFFICIENCY**

<table>
<thead>
<tr>
<th>Business Freedom</th>
<th>Labor Freedom</th>
<th>Monetary Freedom</th>
</tr>
</thead>
<tbody>
<tr>
<td>83.1</td>
<td>75.3</td>
<td>87.0</td>
</tr>
</tbody>
</table>

(+1.3) (-1.1) (-0.4)

The streamlined regulatory process is very conducive to dynamic investment and supports business decisions that enhance productivity. The nonsalary cost of employing a worker is low, and the severance payment system is not overly burdensome. Public opinion polls indicate strong support for agricultural subsidies in advance of Brexit in 2019 as well as ongoing support for rent controls.

**OPEN MARKETS**

<table>
<thead>
<tr>
<th>Trade Freedom</th>
<th>Investment Freedom</th>
<th>Financial Freedom</th>
</tr>
</thead>
<tbody>
<tr>
<td>86.0</td>
<td>90.0</td>
<td>70.0</td>
</tr>
</tbody>
</table>

(-0.9) (No change) (No change)

The combined value of exports and imports is equal to 207.9 percent of GDP. The average applied tariff rate is 2.0 percent. Ireland implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. A commitment to facilitation of global investment flows is well institutionalized. Recapitalization and restructuring have restored banking-sector stability.