

World Rank: **9**

Regional Rank: **2**

Ireland's economic freedom score is 76.9, making its economy the 9th freest in the 2012 *Index*. Its score has decreased by 1.8 points from last year, reflecting poorer management of government spending and reduced monetary freedom. The Irish economy fell to 2nd place in the Europe region behind Switzerland. Ireland recorded one of the 20 largest score declines in the 2012 *Index*.

The Irish economy has undergone sharp economic adjustments. After suffering a deep downturn, it has been on a path of gradual recovery. Unlike other troubled euro-zone economies, however, Ireland has a number of firmly intact institutional strengths. The foundations of economic freedom are buttressed by well-institutionalized protection of property rights and a stable judiciary. Regulatory efficiency and openness to global commerce support Ireland's competitiveness.

The ballooning cost of bailouts has prolonged uncertainty in the financial sector and turned a banking crisis into a sovereign debt crisis. The budget deficit has been on the rise, increasing the debt burden. In a move aimed at reinforcing the principle of limited government, Ireland is placing a high priority on fiscal discipline and achievement of a balanced budget.

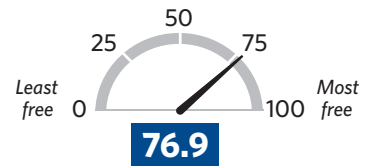
BACKGROUND: The Anglo-Irish Treaty of 1921 formally partitioned Ireland roughly along Catholic-Protestant lines into the Irish Free State, which in 1948 became the Republic of Ireland, and Northern Ireland, which remains under British rule. Sectarian violence declined in the 1990s, and the Irish Republican Army formally renounced armed struggle in 2005. In October 2009, Ireland became the final country to ratify the European Union's Lisbon Treaty. Enda Kenny's Fine Gael government was elected in February 2011. Ireland's modern, highly industrialized economy performed extraordinarily well throughout the 1990s, encouraged by free-market policies that made the country one of the world's most attractive destinations for investment capital. However, the burst of a speculative housing bubble in 2008 and the results of lax bank lending sent the economy into a tailspin. In 2010, the government nationalized several banks and accepted a \$90 billion European Union-International Monetary Fund rescue package.

How Do We Measure Economic Freedom?

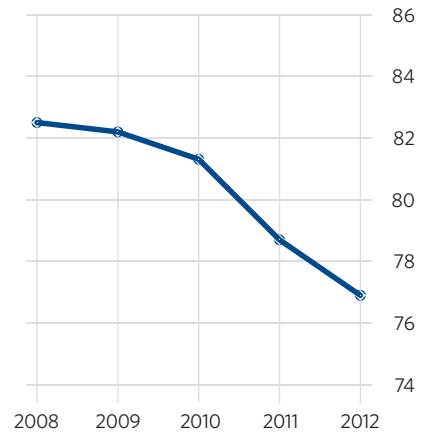
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

IRELAND

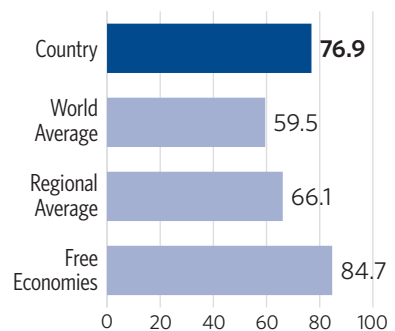
Economic Freedom Score



Freedom Trend



Country Comparisons

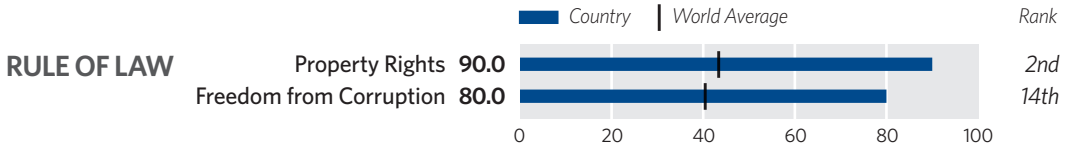


Quick Facts

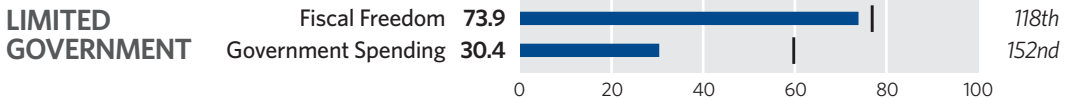
Population: 4.5 million
GDP (PPP): \$172.3 billion
 -1.0% growth in 2010
 5-year compound annual growth -0.4%
 \$38,550 per capita
Unemployment: 13.5%
Inflation (CPI): -1.6%
FDI Inflow: \$26.3 billion
Public Debt: 94.9% of GDP

2010 data unless otherwise noted.
 Data compiled as of September 2011.

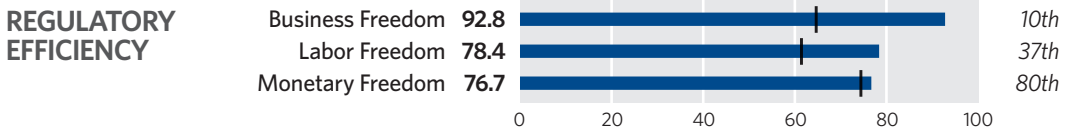
THE TEN ECONOMIC FREEDOMS



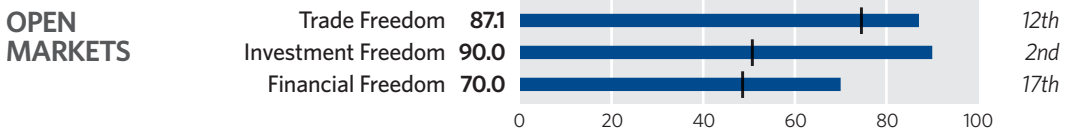
The rule of law is upheld strongly by an independent judiciary operating in a sound legal framework. An efficient, non-discriminatory legal system protects and facilitates acquisition and disposition of all property rights. Contracts are secure, and expropriation is rare. Ireland has one of Europe’s most comprehensive legal frameworks for the protection of intellectual property rights. Corruption is not regarded as a serious problem.



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, with the total tax burden amounting to 27.8 percent of total domestic income. Government spending has increased to a level equivalent to 48.2 percent of GDP. Deficits have widened, and public debt has reached over 90 percent of total domestic output.



The streamlined regulatory process is very conducive to dynamic investment and supportive of business decisions that enhance productivity. With no minimum capital requirement, establishing a business takes only four procedures. Completing licensing requirements is not burdensome. The labor market remains relatively flexible, and labor costs have been moderate. Monetary stability has been relatively well maintained.



The trade weighted average tariff rate is low as with other members of the European Union, but non-tariff barriers add to the cost of trade. Domestic and foreign firms receive equal treatment under a competitive and efficient investment regime. The financial sector was hit hard by the collapse of a property bubble to which banks were highly exposed and by several related scandals, but substantial recapitalization appears to have restored soundness.

Score Changes

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
		Monetary Freedom	Financial Freedom
0	+1.8	+0.8	-0.5
0	-16.7	+0.9	0
		-4.0	0