LBBW

To the point!

Cross-Asset- and Strategy-Research

Postcard from the island of Rhodes

Moritz Kraemer -- Chief Economist

LBBWResearch@LBBW.de

July 18, 2025

How Greece transformed from a bankrupt state to a growth champion

Kalimera, dear readers, summer holidays are upon us, and today I write to you from Greece.

Many of you will vividly remember the European sovereign debt crisis, during which Greece faced the largest fiscal collapse in modern financial history. Back then, Germany's finance minister Wolfgang Schäuble was initially confident in his famously German-accented English, proclaiming: “It will not happen that there will be a Staatsbankrott in Greece”. However, the severity of the social and economic crisis that followed can hardly be overstated. Once the crisis hit, Schäuble adopted a harsher tone, warning in no uncertain terms that if Athens didn't agree to strict austerity measures, “isch over!”

Palace of the Grand Master of the Knights of Rhodes
Photo: Moritz Kraemer privat

Pride comes before the fall

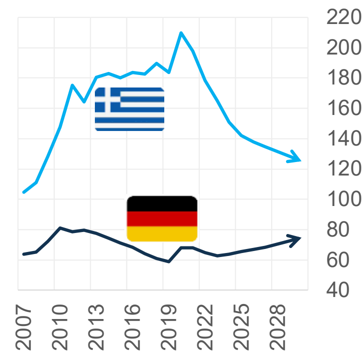
At the time, Germany – then far from today's “sick man of Europe” – took on the role of the moralizer, offering Greece unsolicited advice from atop its economic high horse. No one embodied this attitude more enthusiastically than the German tabloid Bild. Headlines such as “Sell your islands, you bankrupt Greeks; throw in the Acropolis too!” or “No more billions for greedy Greeks!” made the rounds. These headlines weren't just tasteless; they were fundamentally wrong. Let me reiterate: German taxpayers didn't lose a cent to Greece. All disbursements were loans, which Athens has been servicing diligently to this day. The real losers were the creditors and – most painfully – the Greek population. Between 2007 and 2013, Greece's real per capita income shrank by more than a quarter. That catastrophic collapse hasn't been fully reversed. According to IMF estimates, Greece will only recover its pre-crisis income levels around 2030.

In the crisis, incomes dropped by 27%

Greece’s phoenix moment

The wounds of the crisis are still visible, but Greece has managed to rise like a phoenix from the ashes. Over the past five years, while Germany’s average growth rate has been zero, Greece has achieved a respectable 2% annual growth. Its public finances also tell a surprising story. Germany is now projected by the IMF to run a general government deficit of 4% of GDP over the second half of this decade, with no signs of improvement. Greece, meanwhile, will post a moderate deficit of just 0.7%. This divergence is also evident in debt levels: Germany’s debt ratio is increasing, while Greece’s is steadily declining (see chart). Likewise, while Germany is making headlines for having one of the highest part-time employment rates globally, Greece has introduced [six-day workweeks](#) in certain sectors. The country has also taken a machete to its infamous Byzantine – sorry, Hellenistic – bureaucracy and embraced privatizations. Greece has now regained an investment-grade credit rating from all the major agencies.

Government debt
(% of GDP, 2007-2030)



Source: IMF, LBBW Research

The Greeks show us what is possible

Of course, substantial challenges remain. Greece remains heavily reliant on tourism, which is a precarious position in an era of accelerating climate change. Women’s participation in the workforce is still too low, and legal processes are often unbearably slow. Nevertheless, Greece’s comeback is a story of determination and reform.

If a nation can successfully rebuild from such a foundational crisis, surely other nations – like Germany – can do the same. Let’s hope the Germans won't need a deeper crisis to realize that they, too, need to change. Here’s to that with a glass of chilled ouzo. Jamas!

Some issues remain to be addressed

To connect on LinkedIn, please scan QR-Code