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## The deceptive magic of GDP

Over the past five years, the city of Prague has run [budget deficits](#) of between Kč 7.4bn and Kč 10.0bn (based on projected, not actual, figures). Average revenue in 2006-2010 was Kč 37.1bn, and the average deficit was Kč 8.9bn. This year's budget is almost exactly the same (projected revenue of Kč 37.4bn and a deficit of Kč 9.0bn). As a percentage of revenue, the 2011 deficit is a staggering 24.1%. For every four crowns raised, another will be borrowed. By this measure, the Prague budget is far worse off than the Czech national budget, where the approved 2011 deficit is "only" 13.0% of revenue (in the U.S., the figure is nearly 60%). Before the Prague deficit erupts into a PR problem, the city's spin doctors need to discover the magic of GDP. The deficit might be 24.1% of revenue, but as a percentage of Prague's [Kč 950bn annual GDP](#), it's only 1%. Meaning that Prague is actually underleveraged and should borrow more.

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