

# **Economic Costs of Smoking Induced Diseases: Evidence from Yunnan Province, China**

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**Abstract:** With the progress on the techniques to measure the smoking induced diseases (SID), authorities are able to measure the economic costs due to smoking in better ways. This paper examines the relationship between smoking and medical costs on SID in Yunnan Province, which has the largest tobacco industry in China. Based on data from the 2003 Yunnan Health Survey and the 2004 Yunnan Cigarette Research, this paper provides evidence which demonstrates that higher smoking prevalence rates and higher consumption on cigarettes can significantly increase medical costs due to SID, as well as direct spending on cigarettes. This paper also finds that tax revenues generated from tobacco were overwhelmed by the extra governmental expenditures on providing medical services to reduce smoking induced diseases. This suggests the government should consider the balance of tax revenues and costs of SID when setting policies on the tobacco industry.

**Key Words:** Smoking; smoking induced diseases; Yunnan

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