

PLK Centenary Li Shiu Chung Memorial College

"WHY ECONOMICS CAN SHED LIGHT ON WHY PEOPLE PREFER TAKING TAXIS AT NIGHT"

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Have you ever noticed that people always prefer taking a taxi back home at night more than in the morning or the afternoon? Isn't the taxi fare far higher than other transportation means like buses or MTR no matter what the time is? Actually, this phenomenon can be explained logically from an economic viewpoint.

Buses and MTR stop providing services at midnight. Thus, there are not many choices of transportation for the citizens, and there are fewer available substitutes for taxis. The demand for taxis tends to be more inelastic at night. Even if people have to pay a higher price for transportation, relatively fewer people will be deterred by it. Possibly, people will have a higher willingness in taking a taxi.

Apart from the inelastic demand for taxis, the decreased cost of taking a taxi at night is also a main concern for passengers. At midnight, it is usually more dangerous to walk on the street alone, especially in some districts where fights between people or gangs with fatal weapons always happen (such as knives and chainsaws). People do not have to walk back home in the dark and dangerous night with a taxi; instead, taxis provide people with point-to-point transportation services which can help them prevent the potential risks of waking back home. From the passengers' viewpoint, the value of walking back home decreases due to safety concerns. As people are not likely to sacrifice safety for money, the cost for them to take a taxi at night becomes relatively lower than that of choosing other transportation means.

Not just safer, taking a taxi back home is always a more comfortable choice . People always prefer resting on their way back home at night. The environment of buses and MTR is less suitable for resting as people have to sit with strangers. As the opportunity cost of taking a taxi, which is the value of taking other transportation means (the value of the highest-valued option forgone) decreases, the cost of taking a taxi at night decreases.

In addition, even though it is not yet the time for the last train or the last bus, the time consumed waiting for and taking buses or MTR is still far longer than that of taxis. At night, people are eager to get back home as soon as possible to rest. They prefer taking a taxi to reduce the time cost. Full cost consists of money cost and non-money cost. When people spend a longer time taking a bus, their time cost is higher than that of taking a taxi. As people are willing to bear the extra money cost for lower time cost, the full cost of taking a taxi is lower than other choices.

Furthermore, people always have gatherings at night till late. When they are getting back home, as the cost of taking a taxi is lower than taking other transportation means, they are more likely to take a taxi. When they take a taxi together, the cost of taxi fare can be spread to each passenger, which makes the cost of taking a taxi for each of the people relatively lower. Therefore, taking a taxi is more affordable for them.

All in all, instead of the price, safety, speed, and comfort stand out as a priority in people's decision on which transportation means to take at night. People are willing to sacrifice money for safety and time. Sharing and splitting the taxi fare with other passengers also makes taxis a more affordable choice. As a result, taxis become a relatively more preferable choice of transportation for people at night.

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