



Economics

25-9-2023 5Z Econ Morning Talk

Mandy	Good morning, principal, teachers and fellow schoolmates. We are students studying Economics. I am Mandy from 5D.
Bernice	I am Bernice from 5D.
Mandy	Bernice, have you heard that taxi fares will increase further soon? Urban taxis are planning to apply to the Transport Department for an increase in fares. The starting fare is going to increase from 27 dollars to 32 dollars!
Bernice	Wow! This increment is significant! But according to the law of demand, when the fares of taxis increase, the number of rides decreases. Why do taxi drivers still wish to increase the taxi fares?
Mandy	That's because the impact of the increase in fares on the total income of taxi drivers depends on the price elasticity of demand. But how can we know the price elasticity of demand for taxis?
Bernice	Urban taxis applied for an increase in fares in 2018, and immediately applied for a further increment of 5 dollars on the starting fares upon the successful raise to 27 dollars in 2022. It is not hard to see the eagerness for urban taxis to raise their fares.
Mandy	It is conceivable that the price elasticity of demand for taxis is low, in other words, it is inelastic demand and people really need taxis a lot. So the percentage increase in price is larger than the percentage decrease in quantity demanded. As a result, the total revenue of taxi drivers will increase.
Bernice	Wow! No wonder urban taxis are not worried about the reduction in the number of rides upon the increase in fares. I hope the Transport Department will reject taxis' application for the increase in fare. It costs me a lot to take a taxi to school every day!
Mandy	Maybe you should sleep earlier tonight and go to school by bus tomorrow!
Bernice	You are right!
Mandy + Bernice	That's the end of our sharing. Thank you.