

Contents

1	Introduction	<i>page</i> 1
1.1	Motivation	1
1.2	Choice Probabilities and Integration	3
1.3	Outline of Book	7
1.4	Topics Not Covered	8
1.5	A Couple of Notes	11
Part I Behavioral Models		
2	Properties of Discrete Choice Models	15
2.1	Overview	15
2.2	The Choice Set	15
2.3	Derivation of Choice Probabilities	18
2.4	Specific Models	21
2.5	Identification of Choice Models	23
2.6	Aggregation	33
2.7	Forecasting	36
2.8	Recalibration of Constants	37
3	Logit	38
3.1	Choice Probabilities	38
3.2	The Scale Parameter	44
3.3	Power and Limitations of Logit	46
3.4	Nonlinear Representative Utility	56
3.5	Consumer Surplus	59
3.6	Derivatives and Elasticities	61
3.7	Estimation	64
3.8	Goodness of Fit and Hypothesis Testing	71
3.9	Case Study: Forecasting for a New Transit System	75
3.10	Derivation of Logit Probabilities	78

4	GEV	80
4.1	Introduction	80
4.2	Nested Logit	81
4.3	Three-Level Nested Logit	90
4.4	Overlapping Nests	93
4.5	Heteroskedastic Logit	96
4.6	The GEV Family	97
5	Probit	101
5.1	Choice Probabilities	101
5.2	Identification	104
5.3	Taste Variation	110
5.4	Substitution Patterns and Failure of IIA	112
5.5	Panel Data	114
5.6	Simulation of the Choice Probabilities	118
6	Mixed Logit	138
6.1	Choice Probabilities	138
6.2	Random Coefficients	141
6.3	Error Components	143
6.4	Substitution Patterns	145
6.5	Approximation to Any Random Utility Model	145
6.6	Simulation	148
6.7	Panel Data	149
6.8	Case Study	151
7	Variations on a Theme	155
7.1	Introduction	155
7.2	Stated-Preference and Revealed-Preference Data	156
7.3	Ranked Data	160
7.4	Ordered Responses	163
7.5	Contingent Valuation	168
7.6	Mixed Models	170
7.7	Dynamic Optimization	173
Part II Estimation		
8	Numerical Maximization	189
8.1	Motivation	189
8.2	Notation	189
8.3	Algorithms	191
8.4	Convergence Criterion	202
8.5	Local versus Global Maximum	203
8.6	Variance of the Estimates	204

9	Drawing from Densities	208
9.1	Introduction	208
9.2	Random Draws	208
9.3	Variance Reduction	217
10	Simulation-Assisted Estimation	240
10.1	Motivation	240
10.2	Definition of Estimators	241
10.3	The Central Limit Theorem	248
10.4	Properties of Traditional Estimators	250
10.5	Properties of Simulation-Based Estimators	253
10.6	Numerical Solution	260
11	Individual-Level Parameters	262
11.1	Introduction	262
11.2	Derivation of Conditional Distribution	265
11.3	Implications of Estimation of θ	267
11.4	Monte Carlo Illustration	270
11.5	Average Conditional Distribution	272
11.6	Case Study: Choice of Energy Supplier	273
11.7	Discussion	283
12	Bayesian Procedures	285
12.1	Introduction	285
12.2	Overview of Bayesian Concepts	287
12.3	Simulation of the Posterior Mean	294
12.4	Drawing from the Posterior	296
12.5	Posteriors for the Mean and Variance of a Normal Distribution	297
12.6	Hierarchical Bayes for Mixed Logit	302
12.7	Case Study: Choice of Energy Supplier	308
12.8	Bayesian Procedures for Probit Models	316
	<i>Bibliography</i>	319
	<i>Index</i>	331