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EXERCISE SESSION 3: QUESTIONS FOR STUDENTS

Try to answer the following questions by consulting the textbook (see chapter suggested in today's reading) and the lecture slides of today's class:

1. Utility being an ordinal measure of preferences, what are the consequences on modeling choice probabilities?
2. Describe what is the maximum likelihood estimator. Write the likelihood function for a binary logit model.
3. Why do we maximize the logarithm of the likelihood instead of the likelihood? Does this change the value of the obtained estimates? Justify your answer.

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