



EXERCISE SESSION 4: 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. Let $U_{n,m} = V_{n,m} + \varepsilon_{n,m} \forall n, m$. What is the cumulative distribution function of the vector of error terms $(\varepsilon_{n,1}, \dots, \varepsilon_{n,M})$ for a MNL model with M alternatives?
2. Write the choice probabilities of a logit model. What is its main drawback? Please explain.