



EXERCISE SESSION 10

The objective of this lab is to get familiar with the Nested Logit (NL) and Cross-Nested Logit (CNL) models. For this purpose, you will be working with the *Residential Telephone Services* case study.

First, download the `GEV_Tel.zip` file. It contains:

1. the model specification files
 - `MNL_Tel_generic.py`,
 - `GEV_Tel_NL_unrestricted.py`, and
 - `GEV_Tel_CNL_fix.py`
2. the data file `telephone.dat`
3. the description file `GEVTelephone.pdf` with the models you are asked to develop and test.

The base multinomial logit specification for this case study (`MNL_Tel_generic.py`) is provided as a benchmark for comparison with the nested specifications that you will test. In order to get insights into the choice problem, go through the description of the case study that you can find in the laboratories webpage under **Dataset descriptions**.

Now, estimate the MNL and the NL specifications, provided in the `MNL_Tel_generic.py` and `GEV_Tel_NL_unrestricted.py` files respectively, and perform the following tasks:

1. Develop and estimate the remaining NL specifications described in the `GEVTelephone.pdf` file.
2. Repeat the specification tests to decide if these NL specifications are accepted or rejected against the logit model.
3. What assumptions do the nesting structures that you have tested reflect?

Finally, estimate the CNL specification with *fixed* α 's that is provided in the file `GEV_Tel_CNL_fix.py` file, and perform the following tasks:

1. Develop and estimate the specification of the CNL model with *unknown* (variable) α 's.
2. What assumptions do the cross nesting structures that you have tested reflect?