Theoretical foundations – 2.3 Example

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Solution of the practice quiz.

If we want to capture the idea that an additional minute spent in the bus may not be perceived the same way as spending one more minute driving the car, then the utility functions associated with each alternative have to be written as

$$U_i = -\beta_{ti}t_i - \beta_c c_i, \tag{1}$$
$$U_j = -\beta_{tj}t_j - \beta_c c_j, \tag{2}$$

where $\beta_{ti} > 0$, $\beta_{tj} > 0$, and $\beta_c > 0$ are parameters.