

## 2106 Comments on Assignment # 5

1. The logsum parameter must be between zero and one (see page 337 in the text). However, you **cannot** reject the nested logit structure if your parameter estimate is not between zero and one. In order for you to reject it for the “zero-and-one” reason it must be **significantly** less than zero or significantly greater than. So to reject the nested logit you must conduct a t-test of the logsum parameter, comparing it to one.
2. If you get a z-statistic = 0.00 you have a convergence problem and you cannot use the estimation results (also, anytime you see series of asterisks in the NLOGIT output this means the results cannot be used). You must remove variables from your model until you get a reasonable convergence.
3. The actual values of beta's in the estimation results tell you nothing about how X affects Y (except if it has a positive or negative effect). To understand how X affects Y, you must use marginal effects or elasticities.
4. Tables must use the same font (for example, Times Roman). Having different fonts in the same table (for example, having some columns in Times Roman and other columns in courier) is poor attention to detail and is not done in journals and texts. Include a title and table number for your table.