

Assignment 1.

1. a) Suppose that a population of 100 fishers can fish from either a beach or a pier. Fishing from the beach is associated with a lower catch probability, but is free of charge. The owner of the pier charges a weekly fee of 5 SEK. 50 fishers use the pier and 50 use the beach every week. Suppose the owner of the pier increases the fee to 10 SEK. As a response to this price change, 25 fishers then in any week decide to change from the pier to the beach. Calculate upper and lower bounds for the CV weekly welfare change of the 100 fishers experience as a result of the price change. How can this estimate be improved assuming you have estimated a logit model for the choice of fishing mode?

b) Suppose now that a third alternative is made available to the fisher: fishing from charter boat trips to a given cost. Describe how the welfare gain from this additional alternative can be measured.

2. The three empirical papers listed below are influential contributions to the discrete choice literature. Choose one of these papers. Describe briefly the research question, econometric model and findings. Describe how the analysis could have been extended in light of the more recent developments in the methodology of discrete choice analysis.

Boskin, M. (1974) "A Conditional Logit Model of Occupational Choice" *Journal of Political Economy*, 82, 389-398.

McFadden, D. (1974) "The Measurement of Urban Travel Demand" *Journal of Public Economics*, 3, 303-328.

Schmidt, P. and R. Strauss (1975) "The Prediction of Occupations Using Multiple Logit Models". *International Economic Review*, 16, 471-486.

3. Write a "referee report" on the paper "The one Lakh car, economic growth and CO2 emissions in India", which was a part of Johan Kiessling's PhD thesis.

All papers listed above can be downloaded from my homepage under "Microdata econometrics".