

Contents

- 1 Logit Models for Spatial Interaction: Background 1**
 - 1.1 Introduction 1
 - 1.2 Cost-Minimizing Behavior 3
 - 1.3 Intuitive Gravity Models and Most Probable State Approach 4
 - 1.4 User Equilibrium in a Network 6
 - 1.5 Econometric Models of Probabilistic Choice 6
 - 1.6 Luce’s Axiomatic Derivation..... 7
 - 1.7 ARUM – Additive Random Utility Maximization – Approach 7
 - 1.8 Structured or Nested Logit Models 8
 - 1.9 Transportation Problem in Linear Programming 8
 - 1.10 Lagrangian Methods of Deriving Logit Models..... 9
 - 1.11 Welfare Measures 10
- 2 Empirical and Policy Relevance of the New Paradigm 11**
 - 2.1 Empirical Relevance 11
 - 2.2 Policy Relevance..... 12
- 3 Behavioral Foundations of Spatial Interaction Models 15**
 - 3.1 Basic Ideas – Cost-Minimizing Behavior and Equilibrium 16
 - 3.2 Probability Models 18
 - 3.3 Freedom of Choice 20
 - 3.4 Cost-Minimizing Behavior 21
 - 3.5 The Simple (Multinomial) Logit Model Exhibits
Cost-Minimizing Behavior 22
 - 3.6 Cost-Minimizing Behavior Implies the Logit Model 23
 - 3.7 Welfare Measure 24
 - 3.8 Graphical Test..... 24
 - 3.9 Some Particular Discrete Choice Models..... 25
 - 3.10 Equilibrium 25
 - 3.11 Choice of Origin, Destination and Route 27
 - 3.12 Choice of Origin, Destination, Mode and Route 29

3.13	Comments	29
3.14	Notes	29
3.15	About Notation	30

Part I Cost-Minimizing Behavior: Constant Link Costs

4	Logit Models for Discrete Choice	33
4.1	Preliminaries	33
4.2	The Simple (Multinomial) Logit Model	35
4.2.1	Formal Derivation of the Simple (Multinomial) Logit Model	36
4.3	The General Logit Model for Cost-Minimizing Behavior	41
4.4	Axiomatic Derivations of Logit Models	46
4.4.1	Axioms for Cost-Minimizing Behavior	47
4.4.2	Axioms for Payoff-Maximizing Behavior	48
4.5	Axioms for ARUM Derivation	49
4.5.1	ARUM Derivation of the Simple (Multinomial) Logit Model	49
4.5.2	Properties of the Expected Achieved Perceived Utility	51
4.5.3	Generalized Extreme Value Model	52
4.6	Extensions	53
4.6.1	Comments on the Cost Function	53
4.6.2	Different Interpretations of the Same Model	54
4.6.3	Cost-Minimizing Behavior for one Decision Maker Making N Repeated Decisions	55
4.7	Comments	57
4.8	Notes	60
5	Some Particular Logit Models	63
5.1	Introduction	63
5.2	Stochastic Route Choice	63
5.3	The Multi-Attribute Discrete Choice Model	64
5.4	Generalized Cost	65
5.5	The Gravity Model for Trip Distribution	66
5.6	The Gravity Model for Trip Distribution with Several Cost Attributes	69
5.7	Structured (Nested) Logit Models	71
5.7.1	The Structured Logit Model: The Joint Logit Model	73
5.7.2	The Standard Nested Logit Model	77
5.7.3	The Standard ARUM Nested Approach	81
5.8	The Logit Model with Individual Cost Values	81
5.9	Socioeconomic Factors	82
5.10	Comments and Extensions	84
5.11	Notes	86

- 6 Welfare, Benefit and Freedom of Choice 87
 - 6.1 Introduction 87
 - 6.2 Achievement Measure 88
 - 6.3 Freedom of Choice: Preliminaries 89
 - 6.4 Freedom of Choice Measure 91
 - 6.4.1 Freedom of Choice in the Probabilistic Case 93
 - 6.5 Welfare Measures 94
 - 6.5.1 Welfare Measure for the Simple Logit Model 94
 - 6.5.2 Numerical Illustrations 97
 - 6.5.3 Welfare Measure for the General Logit Model 99
 - 6.5.4 Welfare Measures for some Particular Models.....100
 - 6.5.5 Welfare Measure for the Stochastic Route Choice Model100
 - 6.5.6 Welfare Measure for the Multi-Attribute Case101
 - 6.5.7 Welfare Measure for Structured (Nested) Logit Models101
 - 6.5.8 Welfare Measure for Gravity Model for Trip Distribution103
 - 6.5.9 Welfare Measures for Models
with Socioeconomic Factors103
 - 6.6 Extensions104
 - 6.6.1 Extended Benefit Measure104
 - 6.6.2 A Lower Bound on Observed Negative Entropy105
 - 6.6.3 Value of Time106
 - 6.7 Comments106
 - 6.7.1 Revealed Freedom of Choice, Diversity
of Choice, Flexibility of Choice106
 - 6.7.2 Freedom of choice: Advantage and Achievement106
 - 6.7.3 Entropy and Freedom of Choice107
 - 6.7.4 Welfare and Benefit Measures108
 - 6.8 Notes108
- 7 Graphical Tests of Cost-Minimizing Behavior
in Logit Models109
 - 7.1 Introduction109
 - 7.2 Testing for Cost-Minimizing Behavior in the Simple
Logit Model110
 - 7.2.1 Graphical Test of Cost-Minimizing Behavior112
 - 7.2.2 Asymptotic Distribution of the Observed
Negative Entropy112
 - 7.2.3 Simulation Experiments.....114
 - 7.2.4 Figures115
 - 7.2.5 Final Remarks117
 - 7.3 Multi-Attribute Discrete Choice Models117
 - 7.3.1 Graphical Test of Cost-Minimizing Behavior118
 - 7.4 Structured Logit Models.....119
 - 7.4.1 Graphical Test of Cost-Minimizing Behavior121
 - 7.5 Comments and Extensions121
 - 7.6 Notes122

Part II Equilibrium

8 Equilibrium 125

 8.1 Introduction 125

 8.2 Smith’s Cumulative Cost Function and Equilibrium 125

 8.3 Route Choice 127

 8.3.1 Continuous Approximation 129

 8.4 Choice of Origin, Destination and Route 130

 8.4.1 Most Probable Trip Pattern 131

 8.4.2 Most Probable Flow 133

 8.4.3 Continuous Approximation 134

 8.5 Choice of Origin, Destination, Mode and Route 137

 8.5.1 Continuous Approximation 139

 8.6 Comments and Extensions 140

 8.7 Notes 141

9 Appendix 143

 9.1 Representation Theorem for Cost-Minimizing
 Probability Distributions 143

 9.2 Likelihood and Entropy of a Sample 145

 9.3 Maximum Entropy 146

 9.4 Maximum Likelihood 147

References 149