

In this problem set, you will implement Berry (1994)'s estimation strategy.

1. Take the same setup for Berry (1994)'s simulation exercise and replicate Table 1's results. Note that you won't be able to reproduce the exact same numbers.
2. Extend the above exercise to the nested logit specification by assuming the following:
 - Each market has 4 single-product firms.
 - Product nests: $\{0\}$, $\{1, 2\}$, $\{3, 4\}$.
 - Nesting parameter: 0.5.