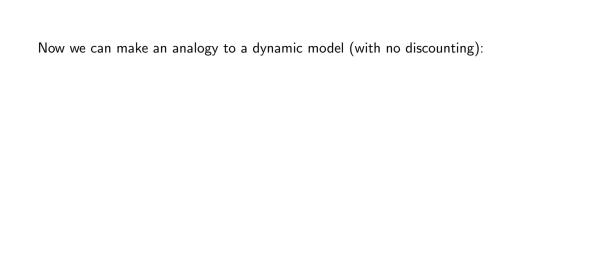
Recall the inclusive value term from the bus choice model:

$$I_{iB} = \log\left(1 + \exp\left(rac{u_{iRB|B}}{\lambda}
ight)
ight)$$

 $\lambda \emph{l}_{\emph{iB}} + \gamma$  is the expected utility of riding a bus, from the standpoint of the top-level nest

Can think of it as the expected value over the  $\lambda \epsilon_{ii}$ 's within the nest



Now we can make an analogy to a dynamic model (with no discounting):

First period:

• Choose bus vs car with extreme value errors for both options

• Individuals account for future choice  $\epsilon$ 's if they choose bus (option value)

Now we can make an analogy to a dynamic model (with no discounting):

## First period:

- Choose bus vs car with extreme value errors for both options
- Individuals account for future choice  $\epsilon$ 's if they choose bus (option value)

## Second period:

- Errors distributed TIEV, independent from each other and first period errors
- Expected value of second period decision is  $\lambda I_{iB}$  plus Euler's constant