

Abstract

We consider discrete choice models with individual and choice specific fixed effects as well as a “switching costs” ;two familiar explanations for seeing an agent in the same state, or the agent making the same decision, repeatedly. We begin by providing a consistent set estimator for the switching cost parameter which is non- parametric in the disturbance distribution. When we take the estimator to our health plan choice data, we find a lower, but not an upper, bound to the switching cost parameter. We then consider the same model but assume a parametric distribution of disturbances. Under this assumption we show that there are bounds on the switching cost parameter that are easy to construct. These bounds provide a simple test of the robustness of standard estimates of the switching cost parameters to the presence of plan and choice specific fixed effects. For our health plan choice data the traditional discrete choice estimator lies outside of our bounds, and the bounds themselves are reasonably tight.