Sunil Sapra - Suggested corrections to Section 3.2 of the paper. January 23, 2012 - 20:43

The paper uses a generalized ordered logit model for econometric analysis. However, the discussion in section 3.2 (Econometric Specification) makes it appear that the authors are using an ordered probit model. On page 6, the authors state that "the assumption is that the residual epsilon is normally distributed and hence the mean and variance of the residual is normalized to zero and one..." The formulas for the five probabilities in equation (3) on the following page are incorrect since the probability density function (pdf) for a N(0,1) random variable is used; the correct function to use here would have been the cumulative distribution function (cdf, not pdf) of a N(0,1) random variable if an ordered probit model had been used. The correct formulas would replace the pdf's of N(0,1) with the logistic cdf given that the authors are actually using generalized ordered logit model, not ordered probit model.

ANSWER: The specification initially proposed was indeed an ordered logit specification and the extension of the model was only verbally presented. Following this comment, we have further extended the discussion by adding the relevant equations both for the ordered logit and the generalized ordered logit specifications. Thank you.