

Nominal variables are variables that have two or more categories, but which do not have an intrinsic order. For example, a real estate agent could classify their types of property into distinct categories such as houses, condos, co-ops or bungalows. So "type of property" is a nominal variable with 4 categories called houses, condos, co-ops and bungalows. Of note, the different categories of a nominal variable can also be referred to as groups or levels of the nominal variable. Another example of a nominal variable would be classifying where people live in the USA by state. In this case there will be many more levels of the nominal variable (50 in fact).

Dichotomous variables are **nominal** variables which have only two categories or levels. For example, if we were looking at gender, we would most probably categorize somebody as either "male" or "female". This is an example of a dichotomous variable (and also a nominal variable). Another example might be if we asked a person if they owned a mobile phone. Here, we may categorize mobile phone ownership as either "Yes" or "No". In the real estate agent example, if type of property had been classified as either residential or commercial then "type of property" would be a dichotomous variable.

Ordinal variables are variables that have two or more categories just like nominal variables only the categories can also be ordered or ranked. So if you asked someone if they liked the policies of the Democratic Party and they could answer either "Not very much", "They are OK" or "Yes, a lot" then you have an ordinal variable. Why? Because you have 3 categories, namely "Not very much", "They are OK" and "Yes, a lot" and you can rank them from the most positive (Yes, a lot), to the middle response (They are OK), to the least positive (Not very much). However, whilst we can rank the levels, we cannot place a "value" to them; we cannot say that "They are OK" is twice as positive as "Not very much" for example.

Why does it matter whether a variable is categorical, ordinal or interval?

Dont worry about this a lot at this point of Time. We will discuss them in details as the course proceeds.