

6.2: Indicator Variables

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Topic 6.2: Indicator Variables

Read Sections 8.1 to 8.2 of your textbook. As you read, take notes on the following.
Consider regressing a response variable y against a quantitative predictor x_1 and a categorical predictor x_2 .

- 1 Describe how you would use indicator variables for this regression.
- 2 What is the interpretation of the regression coefficients $\beta_0, \beta_1, \beta_2$ when there are no interactions? How does the interpretation change when there is interaction between the predictors?
- 3 Describe, in your own words, what interaction between the predictors means.
- 4 What assumption are we making regarding the model variance, σ^2 , when using indicator variables?

Refer to this file to learn more about indicator variables for categorical predictors.

 [mod6_categorical.pdf](#)
Indicator Variables for Categorical Predictors