**GROUP \_\_\_\_**

**CATEGORICAL INDEPENDENT VARIABLES WORKSHEET**

Imagine that you run a local coffee shop and are trying to understand the determinants of your customers’ demand for coffee. Over the past year you have randomly varied the price you charge for coffee each week (*pi*) and recorded how many cups you sell each week (*qi*). You have also created a variable (*seasoni*) that is coded as 1 for spring, 2 for summer, 3 for fall, and 4 for winter.

1. How would you interpret the coefficient on season in the following model?

1. What assumption are you making about the effects of the different seasons in this model?
2. Can you think of a better way to control for season in your model?