

## Categorical Variables

- Major variable types:
  - Continuous variables: age, income, salary.
  - Categorical variables: gender, rank, department, city, etc.
- How to represent categorical variables in LR?
  - Use 100, 200, 300, etc. for cities?      How about use Zip Code?
    - But, this assumes “order” and “magnitude”.      city 300 > city 200 > city 100.
    - Zip code 90210 > 55105?      90210 more important than 55105?
- Use binary variables (or dummies).
  - Dummies?? → not real variables, they are just to help representing something else.