


# Dummy Variable Trap

Dummy Variables

Profit	R&D Spend	Admin	Marketing	State
192,261.83	165,349.20	136,897.80	471,784.10	New York
191,792.06	162,597.70	<div>D<sub>2</sub> = 1 - D<sub>1</sub></div>		California
191,050.39	153,441.51			California
182,901.99	144,372.41			New York
166,187.94	142,107.34			California

New York	California
1	0
0	1
0	1
1	0
0	1

$y = b_0 + b_1 * x_1 + b_2 * x_2 + b_3 * x_3$



$+ b_4 * D_1 + b_5 * D_2$

