Accompanying text for the script "3E_New_Keynesian_Model.R"

IS curve:

$$\hat{y}_t = \alpha_1 \hat{y}_{t-1} + \alpha_2 E_t[\hat{y}_{t+1}] + \alpha_3 \hat{r}_t + \epsilon_t^{\hat{y}}$$

where $\hat{y}_t$ is output gap and $\hat{r}_t$ is interest rate gap.