Answers to the referees

After carefully reading the comments and suggestions provided by the referees we revised the paper in accordance with such guidelines. In particular:

Reviewer #1

1. When discussing about non-linearities in monetary policy, we incorporated the suggested reference of Anzuini (2021).

2. We have rewritten the initial paragraph of the section entitled "Empirical Evidence. This way, we discuss in more detail our data source and the variables considered. Also, we argue why our sample starts in the second half of the eighties.

3. We have rewritten page 11. As the referee pointed out it was a mistake in the previous redaction when referring to the early eighties instead of the latter half of the eighties.

4. Number for Equation (8) has been accordingly corrected

5. The reference of Klingelhofer and Sun have been updated: Klingelhöfer, J. and R. Sun, (2018), "China's regime-switching monetary policy", *Economic Modelling*, 68, 32-40.

6. Title for panel II in Table 2 has been revised.

Reviewer #2

The autoregressive process assumed in Equation (2) represents the dynamic time evolution of the transitory shock. As parameter φ approaches to unit value, persistency of the dynamics increases. This way, our prior guess of parameter φ being positive but clearly lower than one, posits the different time evolution of the two theoretical shocks. Our empirical findings are consistent with this assumption.