Dear Prof. Próchniak,

Thank you for a thorough analysis of the results presented in the paper. Following your suggestions we decided to augment our paper in the following ways:

(1) We find your remark concerning the robustness check on the macro level very interesting. We have conducted a brief exercise relating the interest rates to the investment activity in Poland. Cross correlations are given in the following table.

Table. Cross correlations between investment activity and the National Bank of Poland reference interest rate

Lead (-)/ Lag (+) of the interest rate	Correlation coefficient
+2	0.04
+1	0.00
0	-0.02
-1	-0.12
-2	-0.26
-3	-0.33
-4	-0.44
-5	-0.46
-6	-0.43

From the table above, you can notice that there is no immediate link between interest rates and investment decisions. However, there is a link which emerges after five quarters in a strong negative correlation, namely the lower the interest rates, the higher the investment growth five quarters ahead. These cross-correlations coefficients are equally high when the correlation between investment growth and interest rates is controlled for the GDP growth rates. It implies that there is not only influence on the micro level but also it transfers into the relation on aggregates.

We decided, however, to include in the paper only a very brief cross-check of investment with interest rates because a more profound analysis would require a different objective of the paper (see last paragraph of Section 3.3.).

Regarding your second suggestion – to provide a link between the investment outcomes and taxes we decided not to. We argue that fluctuations in the tax policy are very small and very hard to capture –industries are subject to diversified regulations; there are groups of products that are subject to discretionary tax policy decisions; some tax instruments are designed to prevent cyclical fluctuations. Thus, it seems that perception of the legal situation might be much more qualitative and it would be very hard to find in national accounts a measure that would be resistant to all these factors.

However, this remark is also included in the text (footnote #4);

(2) Answer to the comment on the lack of R^2 coefficient in the presentation of the results of model (1);

The model R^2 can be directly obtained from the models as the sum of squares of standardized factor loadings. Due to the remark that they were missing, the information on the R^2 values is provided in a footnote (footnote #2). However, it should be stated that in the structural equation models the common practice is to provide fit indexes such as CFI, TLI, RMSEA, etc. that evaluates the global fit of the model. It implies that their role is similar like the role of R^2 in the regression model (with most often one dependent variable only). Instead, R^2 in the structural equation models, where the number of dependent variables always exceeds one, describes the level of explained variance of one variable at a time, not a full model.

(3) Answer to the comment on the lack of intercept in the specification of model (1);

Due to the threshold structure of the model, the intercept in the final structural model is not required - the thresholds are not centered around zero and in such a case the intercept (natural zero level) is manifested in the shift of thresholds away from zero. However, in order to increase clarity of the presentation, this information was also provided in the main text (footnotes #3);

We hope that these explanations help to clarify our intentions and results. We also hope that they increase the transparency and conclusions of the text.

Sincerely,

Authors