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# Monetary Policy and Long-Run Systemic Risk-Taking\*

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## Abstract

As an extension to the literature on the risk-taking channel of monetary policy, this paper studies the existence of a *systemic* risk-taking channel (SRTC) in the Eurozone, through an original macroeconomic perspective based on causality measures. Because the SRTC is effective after an “incubation period”, we make a distinction between short and long-term causality, following the methodology proposed by Dufour and Taamouti (2010). We find that causality from monetary policy to systemic risk, while not significant in the very short term, robustly represents 75 to 100% of the total dependence between the two variables in the long run. Reverse causality is rejected: systemic risk did not influence the policy of the European Central Bank before the global financial crisis. However, central banks must be aware that a too loose monetary policy stance may be conducive to a build-up of systemic risk.

*Keywords:* Monetary policy, Systemic risk-taking, Long run causality, SRisk

*JEL classification:* E52, E58, G21

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