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Michelle Bowman's Testimony to Be the Fed's Vice Chair for Regulation and Supervision Should Be Disqualifying

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Federal Reserve ("Fed") Governor Michelle Bowman has been nominated to one of the most important financial regulatory roles in the United States and, indeed, the world—Vice Chairman for Supervision of the Board of Governors of the Fed. This position was created to ensure that the 2008 financial crash ("2008 Crash") never happened again and that the Fed is prioritizing the protection of Main Street Americans and the safety and soundness of the banking system. On April 10, 2025, the Senate Banking Committee ("Committee") held a hearing to discuss Governor Bowman's qualifications for this vitally important role.

Unfortunately, Gov. Bowman's answers during the hearing demonstrated that she will not prioritize protecting Main Street Americans, that she will not properly regulate Wall Street's biggest banks, and that she will not enact rules to prevent another catastrophic 2008 Crash. In fact, the policies and priorities that she testified she will promote will almost certainly make another financial crash more likely. Her responses also showed a dangerous disregard for the rules and laws that govern the U.S. banking system, which are the foundation that has made that banking system the envy of the world and underpin the trust and confidence of all Americans in that system.

The dangers Gov. Bowman would pose as Vice Chair for Supervision are not theoretical. The Vice Chair for Supervision during the first Trump administration ignored the lessons of the 2008 Crash and broadly deregulated large banks (as detailed here). That contributed to the 2023 banking crisis, $40 billion in bailouts, and all-in costs exceeding $300 billion. Gov. Bowman's responses during the April 10, 2025, hearing indicate a toxic combination of support for deregulation and disregard for the law, which will almost certainly result in another catastrophic financial crash that will undoubtedly inflict widespread misery across the country.

This Fact Sheet details the concerns raised by her testimony, which should be disqualifying for any nominee for Vice Chair of Supervision at the Fed.

1. BOWMAN'S INABILITY TO STATE THE REALITY OF TRUMP'S CHAOTIC TARIFF POLICY: Bowman was asked to discuss how the Trump tariffs would affect the financial system. She was unable—or unwilling—to do so.

During the Hearing, Senator Warren asked Governor Bowman, "In what ways could President Trump's tariffs and their economic effects threaten the stability of our financial system?" Governor Bowman's response to this question was to simply say that the economy is strong. This is an inadequate answer from someone who is being considered to lead our nation's banking regulatory system. Anyone watching the events in April 2025 or the basic evening news should be able to connect the Trump Administration's tariffs to the historic levels of financial instability that the country is experiencing. For example, across four trading days from April 3 to 8, the S&P 500 lost more than 12% of its value, a near record and historic decline, and the markets for U.S. Treasury securities – arguably the most important markets in the world – have been experiencing troubling volatility. In contrast, just six days later, Fed Chair Powell provided a much clearer and starker articulation of the economic damage that the tariffs have done and have the potential to do. As Better Markets detailed, financial markets across the board clearly recognize the grave threat of the Trump administration's chaotic tariff policy.

Despite Senator Warren repeating the question four times, Governor Bowman would only go so far as to say that the effects of the tariffs are unclear. Such reckless disregard for market events that directly and negatively impact banks and their counterparties shows either a lack of knowledge on the subject or a choice to put politics over duty. Either way, this is not what the American people and the financial system need in terms of economic analysis from a Vice Chair for Supervision.

2. BOWMAN'S REFUSAL TO RUN APPROPRIATE STRESS TESTS ON THE LARGEST BANKS: Bowman was asked if she planned to run a stress test to gauge the health and resilience of the largest banks in response to the historic market volatility resulting from Trump's tariffs. She would not agree to this, despite the precedent set by former Vice Chair for Supervision Quarles running emergency stress tests in the wake of the COVID pandemic.

The Vice Chair for Supervision must be able to recognize risks to the banking system, react to market conditions that indicate stress, and respond or change course based on this information. Governor Bowman did not display this ability in the hearing.

At the hearing, Senator Warren detailed how the Trump Administration's erratic tariff rollout has already caused financial instability and asked Governor Bowman if she would be willing to run a stress test on the megabanks to understand whether they can withstand a "deep and prolonged recession triggered by a massive trade shock." Stress tests are utilized and required for exactly that purpose – to assess if the largest banks in the country can withstand such a stress event, and so the results of a stress test at this time are vital.

Governor Bowman would not commit to running such tests and only said that the Fed would continue its existing stress test regime. However, sticking to the standard stress test schedule will be ineffective in understanding banks' resilience to the current tariffs because the Fed's stress tests are only run once per year, based on data from the prior year. Furthermore, as Better Markets has detailed, the Fed's stress test program has been systematically and severely weakened in recent years, and there are efforts underway to weaken the tests even further. Simply put, this is an insufficient and dangerous approach, particularly considering the precedent from recent history when Vice Chair for Supervision Quarles ran an [emergency stress test on the largest banks] to understand their vulnerability to the COVID pandemic.

Later in the hearing, in an attempt to defend Governor Bowman, Senator Tillis recalled that former Fed Vice Chair Barr did not run an emergency stress test in response to the 2023 banking crisis. However, due to the deregulation under former Vice Chair Quarles, the stress test doesn't apply to the size of banks that experienced turmoil in 2023, and so the Fed could not have run such a test on those banks. Additionally, the current tariff policy is a completely different breed of economic and financial stress. The current tariff policy problem is an external shock to the banking industry and could spark a recession. Megabanks' vulnerability to such a shock needs to be understood so that policymakers and supervisors can take action to protect the financial system and the American people.

3. BOWMAN'S WALL STREET-FOCUSED VIEW OF CAPITAL REQUIREMENTS: Bowman said that the Fed needs to reconsider the Basel agreement and capital requirements to ensure that U.S. banks are on a level playing field with the rest of the world, rather than developing capital requirements that protect Main Street Americans, the economy, and the financial system against bank failures and bailouts.

Senator Kennedy asked Governor Bowman about her thoughts on capital requirements for the largest banks and the Basel III Endgame. In response, Governor Bowman said that "[the Fed needs to] take a fresh look at the . . . Basel agreement and determine what's appropriate for U.S. banks and their ability to have a level playing field." This is a misguided and dangerous approach to capital requirements because capital requirements exist to promote a safe and sound banking system and prevent financial crashes and bailouts, not to make sure that our largest banks are "competitive."

The Vice Chair for Supervision should instead focus on the fact that our economy, banking system, and the American people depend on capital requirements that ensure banks can serve their communities in good times and bad. That requires banks to have an adequate capital cushion to absorb their losses during times of stress without failing, causing contagion, or precipitating a financial crash.

U.S. banks have long argued that it is unfair if they face higher capital requirements than their foreign bank competitors, because it gives those foreign banks an advantage. This proved to be wrong when the stronger post-2008 Crash U.S. banks [outperformed] large foreign banks, in large part because of the greater financial strength that resulted from regulatory requirements they had fought so hard against.

4. BOWMAN'S UNWILLINGNESS TO DEFEND THE FED'S INDEPENDENCE: Bowman was asked how she would handle attacks on the Fed's independence and did not provide a clear answer.

Senator Warner asked Governor Bowman about her thoughts on the Fed's independence, with regard to monetary policy and rulemaking. President Trump has repeatedly attacked and questioned the need for Fed independence. Governor Bowman's response minimized and ignored the threats, saying that "we haven't seen that happen yet."

Senator Reed continued the questioning regarding Fed independence, citing efforts by the Office of Management and Budget and the Treasury Department to "involve themselves in Fed affairs," including Treasury Secretary Bessent's plans to lead banking regulatory rulemaking. Rather than clearly stating that the Fed must maintain its independence, Governor Bowman said that the banking regulators should work together on rulemaking and policy efforts. This is an entirely misleading statement, as it already is the standard for the banking regulators to work together on rulemaking, and her response only served to sidestep and avoid the question. The fact that Governor Bowman was unwilling to take a clear stand to defend the Fed's independence is alarming.

5. BOWMAN'S DISREGARD FOR THE LAW, PARTICULARLY RELATED TO COST-BENEFIT ANALYSIS: Bowman stated that even though cost-benefit analysis is not required, she would do it anyway.

Preventing crashes is always much less expensive than trying to stop, mitigate, or clean up after they happen. The truth is that rules to protect consumers, investors, and financial stability do cost money, but cost-benefit analysis insufficiently recognizes and minimizes costs to the public interest that are often qualitative rather than quantitative. That being said, even quantitative analyses (here, here, and here) show that financial crashes are more costly than the efforts to prevent them. The bottom line is that cost-benefit analysis often becomes singularly focused on costs to the banking industry and often entirely omits, or at least understates and subordinates, the public interest.

The fact that Governor Bowman clearly stated that she plans to implement cost-benefit analysis, even though it is not required, is a dangerous statement, as it always will favor the industry. Moreover, this is not the path toward achieving a higher bar for Fed decision-making. Quite the opposite, it is stacking the deck in favor of the industry that will lobby relentlessly to inflate its anticipated cost, relative to the public interest.

6. BOWMAN'S UNWILLINGNESS TO SAY THAT FIRING BANK SUPERVISORS THREATENS SAFETY AND SOUNDNESS IN THE BANKING INDUSTRY: When asked about how the sweeping cuts to regulatory agency staffing would affect the agencies' ability to carry out their duties and protect the financial system, Bowman refused to answer clearly.

Bank supervisors who are employed at the Fed and the other banking agencies are well-trained experts who provide vital assessments of the safety and soundness of every bank in the country. Their work provides the reassurance and foundation for the trust and confidence that Main Street Americans have in the financial system, to entrust their savings to banks. While regulations set standards for risk management and buffers for stressed periods, supervision is necessary to identify risks before they become catastrophic issues.

Senator Alsobrooks asked Governor Bowman how the indiscriminate and aggressive firings, implemented by the Trump Administration in the name of efficiency and cost savings, affect the ability of the Fed and other banking regulators to appropriately oversee the banking system. Governor Bowman was unwilling to agree with Senator Alsobrooks' statement and would only go so far as to say that she wants to conduct a review of the staffing in the supervision and regulation functions at the Fed.

In conclusion, as Better Markets has detailed, Governor Bowman's track record of statements, actions, and votes indicates clear and unmistakable support for the interests of the banking industry, particularly Wall Street banks. What she said, as well as what she didn't say, at the April 10, 2025, nomination hearing only served to underscore the concerns that all Americans should have with her becoming the next Vice Chair for Supervision.[1]

[1] These many concerns were identified at a hearing designed to prevent the full questioning of Gov. Bowman. Gov. Bowman was one of six nominees being considered by the Committee for key positions in government agencies at this hearing, leaving grossly insufficient time to review her record. The question-and-answer portion of the hearing lasted less than two hours, meaning that the Committee spent an average of less than 20 minutes questioning each nominee. This is in direct contrast to the nomination hearing for former Fed Vice Chair for Supervision Barr, who was one of three nominees being considered for positions on May 19, 2022. Not only was there limited time for each Committee member to ask questions, but Governor Bowman received questions from only 10 of the 24 Committee members. This limited opportunity to question and consider the nominee for such a key position is a disservice to the American people and the banking system, especially given the current fragile and volatile condition of the financial markets.

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