Move over too-big-to-fail. Here comes too-big-to-manage.

Congress's inquiry into JPMorgan Chase & Co. (JPM)'s $2 billion trading loss has reignited the question of whether a bank can grow too large and complex for its own executives to oversee. The banking industry is taking notice that a move to cap the size of Wall Street firms is gaining traction on Capitol Hill.

"There seems to be growing interest in some type of breakup proposal," said Sheila Bair, a former chairman of the Federal Deposit Insurance Corp.

The concept is expected to arise today as JPMorgan Chief Executive Officer Jamie Dimon testifies before the House Financial Services Committee on the trading debacle. Last week he told the Senate that the losses, which carved about $23 billion from the bank's market value, were due to a poor investing strategy coupled with management failures.

Senator Sherrod Brown seized on that admission.

"It appears executives and regulators simply can't understand what is happening in all these offices at once," the Ohio Democrat said during the June 13 hearing. "It demonstrates to me that too-big-to-fail banks are, frankly, too-big-to-manage and too-big-to-regulate."

While bank lobbyists say they are still most concerned that JPMorgan's trading loss could prompt regulators to write a stronger U.S. rule against proprietary trading, they are also closely monitoring the emerging talk about too-big-to-manage.

**Shifting Debate**

The financial industry fears the idea could unite Democrats pushing to downsize banks with

Republicans who think the 2010 Dodd-Frank law should be repealed because it offers special regulatory protections to “systemically important” firms. Shifting the terms of the political debate from the more amorphous phrase of too-big-to-fail may make the efforts easier to explain to the public, said the lobbyists, who spoke on condition of anonymity because the discussions are private.

Both Democrats and Republicans are weighing versions of too-big-to-manage proposals. Brown has sponsored a bill that would cap the size of what he calls “mega-banks.” FDIC member Thomas Hoenig has been promoting a modern version of the 1933 Glass-Steagall Act, aimed at separating more risky investment banking operations from units handling deposits.

In his Senate testimony last week, Dimon defended the largest banks, saying they are needed to provide services to multinational corporations, including lines of credit that can reach billions of dollars. He also noted that JPMorgan’s size helped it weather the 2008 economic collapse.

**Status Deflated**

“Our diversification was a source of strength in the crisis,” Dimon said. “It was not a source of weakness.”

Still, with JPMorgan facing federal investigations by the Justice Department, the Securities and Exchange Commission and other agencies over the loss, Dimon’s status as an industry spokesman on over-regulation has been somewhat deflated. None of the chief executives of the other major banks -- Citigroup Inc. (C), Morgan Stanley (MS), Wells Fargo & Co. (WFC), and Bank of America Corp. -- have been as vocal in the public policy arena.

Richard Fisher, a Democrat who is president of the Federal Reserve Bank of Dallas, has been a vocal supporter of curtailing Wall Street’s biggest firms. He wrote in the regional bank’s 2011 annual report in March that “downsizing the behemoths over time into institutions that can be prudently managed and regulated across borders is the appropriate policy response.”

Bair, who helmed the FDIC through the credit crisis, has started a group of business executives and former regulators and senators to counter the big bank lobby in Washington. While her Systemic Risk Council hasn’t come to a policy position on breaking up the largest banks, it’s likely to consider it.

**‘Structural Solutions’**

“It’s an important question,” said Harvey Goldschmid, a former Democratic SEC commissioner who is on the council. “If financial institutions have become too-big-to-fail, too-big-to- manage, and too-big-to-regulate, then wisdom would be on the side of thinking about structural solutions.”

Not everyone agrees.

Peter Wallison, a fellow at the American Enterprise Institute and a former general counsel of the Treasury Department, said that nobody really knows how big is too big.

“Shall we size banks so only stupid people can manage them, or should we be allowed to size banks so smart people can manage them?” asked Wallison. “There isn’t a lot of thought given to this, it is just a lot of chatter.”

On Capitol Hill, lawmakers acknowledge that new legislation that would transform the banking system is still far from passing, partly because of the looming November election and partly because the country is still digesting the Dodd-Frank regulatory overhaul passed less than two years ago.

**Bipartisan Discussion**

Still, the JPMorgan loss has spurred lawmakers in both parties to confront anew the issue of complexity in the banking system. And the discussion is more bipartisan than in the past.

**“There hasn’t been any attempt to coalesce these different factions and ideas into a single solution,” Representative John Campbell** said in an interview. **“This could be the**

**type of event that starts the discussions."**

**Campbell**, of California, is among a group of Republicans drawing attention to the use of increased capital standards as a market-based way of shrinking the largest banks. Senators Richard Shelby of Alabama and David Vitter of Louisiana also back pumping up capital requirements for the largest banks, forcing them to either shrink or pay more for their size.

On the other side of the aisle, Representative Brad Miller, who introduced the House version of Brown's bill, said he would consider merging his legislation with Hoenig's proposal for a version of Glass-Steagall.

**Uphill Battle**

"There are probably ways you could take bits and pieces of his proposal and of my proposal and combine the two to make banks smaller and less complicated," Miller, a North Carolina Democrat, said in a telephone interview.

While pushing such a proposal through Congress would be an uphill battle against the still-considerable influence of the financial industry, Miller said, more revelations like JPMorgan's or another banking crisis could tip the balance.

"There is a great deal of public support for breaking up the big banks," said Miller, who said he got a positive response when he polled constituents during his 2010 campaign. "It would not be a problem from the American people, it would be entirely from the Washington political establishment."