



## The Daily Dish

# Crypto Flash Crash

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On Friday, the prices of crypto assets crashed like they were the Jets passing game. Per [Yahoo Finance](#):

*Prices of major cryptocurrencies [nosedived](#) immediately after US President Donald Trump announced 100% tariffs on Chinese goods Friday.*

*As crypto markets dipped, leveraged traders were forced to close out their positions, causing a cascade of liquidations that eventually topped \$19 billion.*

A typical experience was [described](#) by Coindesk regarding Dogecoin:

*Dogecoin experienced a 50% flash crash, dropping from \$0.22 to \$0.11 before recovering to the \$0.19-\$0.20 range.*

*The crash was triggered by the Trump administration's tariff announcement, leading to a broader selloff in cryptocurrencies.*

*Institutional demand and ETF flows helped stabilize Dogecoin, with whales re-accumulating and exchange outflows reaching \$23 million.*

Did you notice? Eakinomics did not. There are some lessons in that.

First, the prices of crypto assets fell, and most of the news stories attribute this to the

announcement of additional 100-percent tariffs on China. Really? The timing seemingly fits, but all we really know is that sentiment swung from buying outbidding selling to the reverse. That's all we ever really know in a financial "crisis." Prices fall rapidly and sharply. Fact. The rest is a novel.

Because it is grounded in sentiment (and not observable facts), market participants are free to attribute the event to almost anything - and it is usually a self-interested explanation. In this case, lots of leverage seems to have been a contributing factor - investors borrowed heavily to invest in risky crypto assets. When prices fell, they were quickly in the position of having to sell to cover debts. Lots of money was lost.

But those who lost money either voluntarily lent to people who were making risky bets or voluntarily borrowed to make risky bets. There was no threat to the American populace's checking accounts, retirement savings, or economic well-being. For that reason, there is no policy response needed. Indeed, in the one place where Congress has acted - the [Genius Act](#) and stablecoins - there was no fallout on Friday.

Congress and the administration will doubtless hear calls for a more intrusive regulatory approach and rules to "protect" investors from losses. These should fall on deaf ears.