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Milei's Radical New Order Is Running into Argentina's Old Problems

Rising unemployment, court battles and corruption allegations threaten to derail the president's economic-shock therapy

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Argentina's President Javier Milei. LUIS ROBAYO/AGENCE FRANCE PRESSE/GETTY IMAGES

Quick Summary

- President Javier Milei's free-market overhaul in Argentina faces corruption allegations, legal setbacks, economic malaise, and dismal polls.

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BUENOS AIRES—President [Javier Milei's](#) radical free-market overhaul of Argentina is running into the same problems that plagued the political old guard he vowed to overthrow.

Corruption allegations. Legal setbacks. Economic malaise. Dismal polls. Any one of those would be a blow to Milei's agenda to restore the fortunes of what was once one of the world's richest nations. But taken together, they represent a threat to his 2027 re-election and his ability to finish his self-described "economic-shock

therapy” for a country that has been a fiscal basket case for decades.

“Argentines have been uncharacteristically patient, but that patience is running low,” said Benjamin Gedan, the director of the Latin America Program at the Stimson Center.

Milei has delivered sweeping spending cuts, lowered inflation and stabilized the currency, but voters have yet to see the benefit, Gedan said.

The wild-haired libertarian’s popularity is now at the lowest level of his presidency. His approval rating fell to 36.4% at the end of March, a 10-percentage-point drop from a year earlier, according to the AtlasIntel pollster. Low salaries and unemployment are the top concerns.

While Milei still stands a good chance of winning re-election in next October’s presidential vote, polls suggest that reflects a weak opposition rather than confidence in his administration. About 53% of Argentines said they want a change of government next year in a recent CB Global Data poll.

Milei has urged the public to stay the course. “We know these past few months have been tough,” he wrote last week on X. “We must persist: to normalize the economy and, with it, the lives of all Argentines.”

It isn’t only Milei’s free-market experiment at stake. Ahead of Argentina’s October 2025 midterm elections, President Trump extended Argentina a \$20 billion currency-swap lifeline, betting that Milei’s success could bolster pro-market allies across Latin America and counter China’s influence in the resource-rich region.

Countries including Chile, Paraguay and Ecuador have already shifted right, while conservative challengers are preparing to unseat left-leaning incumbents in elections in Brazil and Colombia this year.

Milei moved quickly once in office, signing dozens of decrees to shrink and deregulate the state in one of the most rapid budget turnarounds in the history of emerging markets. Public spending fell by about 30% in real terms, and annual inflation, in triple digits when Milei took office, is now close to 30%.

Oil-and-gas production has surged in Argentina’s massive Vaca Muerta shale formation, while mining, particularly lithium and copper, has attracted fresh investment and brought in much-needed dollars through exports.

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But those gains have done little to lift the domestic economy. Investment in job-creating sectors such as manufacturing and services remains weak, and unemployment has risen.

Argentina now resembles “two different economies living in one,” said Mauricio Monge, senior Latin America economist at Oxford Economics: a fast-growing export sector alongside a stagnating domestic one. Inflation, while sharply lower, is still high by international standards.

Some economists say Milei may have initially focused too heavily on inflation to secure support in last year's midterms. Milei's refusal to let Argentina's peso weaken too much for fear of stoking inflation kept the country's exports relatively expensive, hurting competitiveness and ultimately growth, said Monge.

But much of Argentina's current economic pain is to be expected, said Monge. The deep structural reforms the country needs take longer to deliver results than any presidential term. Austerity is rarely popular, so Milei must persuade voters of its necessity before they feel its benefits—a task that depends heavily on maintaining public trust in his government.

Corruption allegations, therefore, couldn't have come at a worse time.

A scandal involving a cryptocurrency known as \$Libra resurfaced in recent weeks, raising fresh questions about Milei's role in promoting the digital coin that soared in value after he endorsed it on social media in February last year. It crashed hours later, wiping out millions of dollars in investors' funds.

Prosecutors are investigating whether the incident was part of an insider-trading scheme, naming Milei as a person of interest. Milei has said he was merely highlighting a private initiative and had no direct involvement. He hasn't been charged and is shielded from arrest while in office.

Phone records published recently show multiple calls between Milei and Mauricio Novelli, a lobbyist behind \$Libra, on the night of the currency's launch, suggesting closer coordination than previously acknowledged.

The records, earlier reported by Argentina's La Nación and reviewed by The Wall Street Journal, show calls that same night between Novelli and Karina Milei, who is the president's sister and closest confidante.

“The Libra case will likely keep resurfacing in the coming weeks and throughout Milei's tenure, as it is one of the few issues on which the opposition has a specific and public line of attack against him and

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his inner circle,” said Rafael Ch at Signum Global Advisors, a political-risk advisory firm.

Milei’s chief of staff, Manuel Adorni, is also under investigation in a separate probe over alleged illicit enrichment and the misuse of public funds.

For many Argentines, corruption ranks low among immediate concerns. Polls show many ordinary workers care far more about wages and jobs.

But any sign of political weakness can revive investor fears of a return to the Peronist opposition and its interventionist policies.

Opposition from unions and the courts has also slowed Milei’s agenda. While he pushed through early measures by executive decree, the rest of his reform program depends on Congress, where he lacks a majority despite strong midterm results.

Milei has sharpened his political instincts, securing his biggest legislative win in February when the Senate approved sweeping labor changes, including extending the workday to 12 hours from eight. He also pushed through a contentious glacier law last week opening parts of the Andes to copper mining.

But there are limits to governing without broad political support, analysts say. A federal labor court suspended swaths of the new labor legislation. While legal experts expect the suspension to be lifted, the delays add to legal uncertainty that deters investment.

“These are the limits of governing without consensus and the consequences are now evident,” said Bernardo Saravia Frías, former attorney general of the Treasury under Argentina’s business-friendly President Mauricio Macri.

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