Brazilian judiciary scandal exposes crisis of rule one month before elections

Statement of the Socialist Equality Group (Brazil)
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Less than a month before the first round of Brazil's presidential election, an open crisis has erupted in the ruling political establishment. Two factions of the Federal Supreme Court (STF)—the highest institution of the bourgeois state, presented in recent years as the guarantor of constitutional order in the country—have begun openly attacking each other before the nation.

The trigger was Justice André Mendonça's decision, on September 1, to make public a Federal Police (PF) report he had requested, drawn from the seized phone of banker Daniel Vorcaro, documenting the closeness between the owner of the now-liquidated Banco Master and Justice Alexandre de Moraes—the judge who oversaw the conviction of fascist ex-president Jair Bolsonaro for attempting a coup d'état.

The material made public on September 1 consists of a 218-page report, handed over by the PF on August 27, drawn up from Vorcaro's seized device during the first phase of Operation Compliance Zero, in November 2025.

The relationship between the banker and the justice had been reported for months. What the report adds are new and more serious elements: metadata indicates that Moraes himself edited the contract worth up to R$131 million signed between Banco Master and the law firm of his wife, Viviane Barci de Moraes. There are also records of meetings between the two and messages in which Vorcaro, on the eve of his arrest, asked the justice to contact the attorney general and the PF's director, and asked whether he should be out of the country on the day of the police operation. Vorcaro himself gave the practical answer to that question a few days later: he was arrested at Guarulhos Airport while attempting to board a private jet bound for Dubai, hours before the Federal Police launched Operation Compliance Zero.

These messages reveal, in practice, the transformation of the country's most powerful justice into a kind of personal lawyer and inside informant for a banker under investigation for fraud running into the billions. The content of Moraes's replies is unknown—PF forensics only broke the encryption on Vorcaro's side of the seized device—but the silence on the other end of the conversation does not change what has already been established.

André Mendonça, appointed to the Supreme Court by Bolsonaro, is the rapporteur for two cases with direct implications for the current presidential race. The Banco Master case, the largest financial scandal in Brazilian history, implicates the broadest sectors of the political establishment—from STF justices to Senator and presidential candidate Flávio Bolsonaro. Mendonça is also the rapporteur for investigations into Fábio Luís Lula da Silva, known as Lulinha, son of President Luiz Inácio Lula da Silva (PT), on charges of influence peddling and corruption. In recent months, systematic leaks about the investigations into Lula's son have reached the press. Now, four weeks before the first round, Mendonça has lifted the seal on the material against Moraes without submitting the matter to the full STF bench.

Moraes's own reaction reveals the political dynamics of the dispute inside the STF. Two days after his name was exposed, he activated the "*fake news*" inquiry—which he has run since 2019, with no deadline and under seal—to ask STF president Edson Fachin to open an investigation into Mendonça for abuse of authority. The request was backed by a new PF document, produced at Moraes's own request, in which the agency asserted that Mendonça had requested the initial report on Vorcaro's conversations already knowing in advance which names would be implicated.

The episode is not, therefore, a confrontation between legality and the arbitrary actions of a single isolated justice. It is the expression, within the highest body of the Brazilian judiciary and the state's principal criminal investigation apparatus, of the same war between factions of the ruling class that runs through the entire bourgeois political system in the country.

Banco Master: the anatomy of financial parasitism

The institution now at the center of the Brazilian state's crisis was, until a decade ago, an irrelevant bank. In 2018, the then-Banco Máxima occupied 1,365th place in the sector's rankings and was posting losses. In October 2019, already under the Bolsonaro government, Daniel Vorcaro obtained the Central Bank's authorization to take effective control of the bank. Renamed Banco Master in 2021, the conglomerate grew from R$3.7 billion to R$82 billion in assets by 2024—a growth of 2,123 percent, which propelled it from 90th to 23rd place among the country's largest financial institutions, absorbing along the way Banif, Voiter, Letsbank, Will Bank and Intercap.

This dizzying expansion corresponded to no creation of real economic value whatsoever. It rested on two pillars. The first was aggressive retail fundraising through CDs (certificates of deposit) offered at rates far above the market norm—attractive precisely because the guarantee of the Credit Guarantee Fund (FGC) eliminated, in the eyes of the small investor, any perception of risk. A mechanism created as a safety net against isolated bank failures was thus converted into an implicit subsidy for a predatory fundraising model. The second pillar was the allocation of these resources into assets of uncertain, or simply fictitious, value—culminating, in its terminal phase, in the sale to Banco de Brasília (BRB), a public institution controlled by the Federal District government, of credit portfolios estimated at R$12 billion that the Federal Police identified as fabricated.

On November 18, 2025, the Central Bank ordered the bank's extrajudicial liquidation, one day after Vorcaro was arrested at Guarulhos Airport.

What the FGC's Annual Report, released in April 2026, adds to this picture demolishes the official narrative of a "mismanaged bank discovered and liquidated." According to the Fund, as early as May 2025—six months before the liquidation—a formal financial support operation for the conglomerate had already been arranged, structured around the weekly release of funds through the issuance of financial bills, intended exclusively to pay the liabilities covered by the guarantee. By the end of 2025, the balance of these releases totaled R$5.7 billion. The operation, the FGC states, continued "until the potential operation with the BRB could be analyzed" by the Central Bank—which rejected it in September 2025. In other words: the regulatory apparatus not only failed to prevent the fraud; it artificially kept the bank alive for half a year while trying to find a buyer to absorb the losses, accumulating growing exposure for the system's collective fund.

The final bill is the largest in Brazilian financial history. The liquidations extended beyond Master, reaching Master de Investimentos and Letsbank in November 2025, Will Financeira in January and Banco Pleno in February 2026—a sign that the scope of the conglomerate, and therefore of the fraud, was larger than initial investigations had mapped. The total amount provisioned for guarantee payouts reached R$51.8 billion, with a combined impact of R$57.4 billion (US$11 billion) on the Fund's reserves. By April 2026, R$49 billion had already been paid out to some 870,000 creditors.

To replenish these reserves, the FGC received R$32.2 billion in advance contributions from member banks in just three days, between March 23 and 25, 2026. Even so, the Fund closed that month with a liquidity ratio of approximately 2 percent of eligible deposits—below the 2.3 percent floor imposed by the National Monetary Council's own regulations. The mechanism presented as the ultimate guarantee of the stability of the Brazilian financial system now operates outside its own safety parameters, drained by the collapse of a single conglomerate.

And who pays? Vorcaro's gains were entirely private. The costs have been distributed publicly. Eighteen state and municipal pension funds had invested R$1.86 billion in Master's financial bills—securities with no FGC coverage whatsoever, whose losses will fall directly on states, municipalities and the pension savings of public employees. Rioprevidência, Rio de Janeiro's pension fund, alone accounts for R$970 million. Added to them are INSS retirees and pensioners who were victims of payroll loans taken out in their names without verifiable authorization, the subject of another ongoing investigation.

This is not a pathological deviation, nor the work of a particularly unscrupulous banker. It is the normal functioning of Brazilian finance capital in its current phase, pushed to the point where its contradictions can no longer be concealed. A fraction of the financial oligarchy used the mechanisms of the state—the public guarantee, regulatory permissiveness, access to public banks and public employees' pension funds—to build a machine for extracting wealth. When the machine broke down, the same state managed its collapse for months, protecting the stability of the system and transferring the costs onto workers, retirees and pensioners. The same "market" that demands austerity, a freeze on social spending and new pension reforms feeds on the same public funds it declares unsustainable.

An "eternal debt"

The breadth of political forces and sectors of the bourgeois state apparatus implicated in this scandal provides a devastating exposure of the class nature of political relations in the country.

The same banker who struck a multimillion-dollar deal with Alexandre de Moraes—telling the justice he was in his "eternal debt"—wove with the Bolsonaro clan, Moraes's mortal antagonist, a deal of the same magnitude and corrupt nature.

Flávio Bolsonaro, the Liberal Party (PL) candidate for president running in the name of his father—who is serving a 27-year prison sentence for attempting a coup d'état, a sentence signed by Moraes himself—negotiated directly with Vorcaro the financing of *Dark Horse*, the hagiographic biopic on Jair Bolsonaro. The film's budget reached US$24 million (then around R$134 million); of that total, at least US$12.3 million was actually paid out—the last installment in September 2025, after Flávio pressed Vorcaro over overdue payments. The Federal Police are investigating evidence that, under the guise of financing *Dark Horse*, Vorcaro's money in fact served to cover Eduardo Bolsonaro's expenses in the United States—the country to which Eduardo permanently relocated in early 2025, and from where he coordinates the activity of Brazilian fascists in direct coordination with the Trump administration.

The same banker, therefore, was simultaneously financing the circle around the justice who became the symbol of "defending democracy" and the family nucleus that conspired to install a military-fascist dictatorship. And this is what brings the entire official narrative crashing down.

In convicting Bolsonaro and his accomplices, Moraes offered the formula that summed up this narrative—the country had nearly reverted to dictatorship because a "criminal organization" did not know how to lose an election. The *World Socialist Web Site* rejected this personalist thesis and argued that the coup threat originated in the immense, unresolved historical contradictions of one of the most unequal countries in the world, interacting with an accelerating international crisis. The Master scandal provides one more empirical demonstration: the same financial-elite backers who funded the prosecutors of the trial also funded the conspiracy.

"Far from representing the endpoint of a defeated fascist offensive," the WSWS wrote, "the trial of Bolsonaro and his accomplices is taking place amid the persistence and intensification of their efforts to overthrow democracy in Brazil."

Not an aberration, but an intractable crisis

The Socialist Equality Group (SEG) rejected treating the fascist conspiracy that culminated in the January 8, 2023 insurrection as an aberration, i.e., merely the product of subjective decisions by Bolsonaro and his coup-plotting military clique. It was, and is, the symptom of an intractable crisis of the bourgeois regime in Brazil, determined in the last analysis by the crisis of the entire world capitalist order.

On the eve of the 2022 election, when the main sectors of national capital rallied around Lula's candidacy, we wrote that the hope this coalition would resolve the regime's internal crisis—containing the class struggle while at the same time managing the contradictory pressures of relations with the United States and China—was a fantasy. The vector of the crisis would continue to accelerate, and the democratic veneer did not correspond to the reality of bourgeois rule in the country.

Four years later, that assessment has been emphatically confirmed. The Brazilian ruling class has shown itself incapable of producing even a minimal agreement that would allow a stable political order for capitalism in Brazil. What we see is the opposite—an internecine war, waged with the instruments of the state itself, between factions that can no longer settle their differences through institutional means.

This crisis is not, in its essence, Brazilian. It is the national expression of the collapse of the world capitalist order. What the WSWS has been characterizing as the eruption of World War III is not confined to the theaters of operation opened in Ukraine, Gaza and Iran. It has its internal counterpart in every country, in the accelerated destruction of the democratic forms of bourgeois rule and the rise of fascist movements internationally—centered on the United States, where the Trump administration is openly erecting a presidential dictatorship. Latin America has, for all intents and purposes, been converted into a battlefield of the global imperialist war.

The fascist conspiracy in Brazil continues

Mendonça's move was directly coordinated with a political offensive by the fascistic far right. On the same day, Senate opposition leader Rogério Marinho (PL-RN) filed what he called the 53rd impeachment request against Moraes, accompanied by a criminal complaint to the Attorney General's Office (PGR) and a demand for the dismissal of the PF's director-general. The entire political operation that followed consisted of fusing the figure of Moraes with the PT government, converting a scandal that implicates entire fractions of the state into ammunition against Lula.

The point of convergence came with the rallies on this September 7, Brazil's Independence Day, called by Flávio Bolsonaro for Avenida Paulista under the slogans "Lula Out, Moraes Out" and "Now or Never." The date that Bolsonarism has been promoting since 2021 as a popular façade for a coup d'état was thus reconverted into a launching platform for the Bolsonaro candidacy, with the court's own internal crisis as its central banner.

But it would be a mistake to treat this as circumstantial opportunism. Amnesty for those convicted in the 2022–23 coup conspiracy is today the banner of every candidate of the right-wing opposition—not just Flávio Bolsonaro, but also those seeking to present themselves as "moderate" alternatives to Bolsonarism. Overturning the outcomes of the January 8 case is the common program of that entire camp. This exposes the essential character of this election: it is the direct continuation of the crisis opened in 2022.

The continuation of this political offensive in Brazil, however, is taking place in a new international context and under a different degree of US imperialist assertiveness. In his speech at the Conservative Political Action Conference (CPAC), Flávio Bolsonaro openly demanded Washington's intervention in the Brazilian election and pledged to carry forward the conspiracy for which his father was convicted.

A wing of the Trump administration made up of Republican members of Congress, second-tier officials and State Department personnel is, according to reporting by journalist Jamil Chade, already working to renew sanctions against Moraes, using the revelations about Vorcaro as a pretext. Moraes and his wife had already been targeted by Trump administration sanctions in 2025, in retaliation for the prosecution of Bolsonaro for the coup attempt.

In other words: a crisis manufactured inside Brazil's Federal Supreme Court is being converted, in real time, into a pretext for direct intervention by Washington in the Brazilian election.

The close coordination between Brazilian fascist forces and Washington is part of a historic turn by American imperialism toward the region. The 50 percent tariffs and sanctions imposed on Brazil starting in 2025 marked a new, irreversible stage in these relations. The capture of the Venezuelan president and the reassertion of the Monroe Doctrine inaugurated the phase of direct military intervention. The campaign of extrajudicial killings in the Caribbean and Pacific and the assembly of a coalition of far-right Latin American governments under the name "Shield of the Americas" constitute a modern-day Operation Condor.

The bankruptcy of the PT's and the pseudo-left's "broad front"

No political perspective emerges from this crisis as devastated as that of the PT's and the pseudo-left's "broad front."

The Lula government took office under a systematic coup conspiracy that had planned the assassination of the president-elect and the installation of a presidential-military dictatorship in Brazil. One week after his inauguration, the fascist assault on the seats of power in Brasília took place. Lula himself acknowledged that the threat did not end on January 8, 2023: it continued in the pressure for a Guarantee of Law and Order operation that would place the government under military tutelage—pressure against which Planalto (presidential palace) negotiated and balanced itself throughout the entire term.

The PT's fundamental response to this threat had two axes: the promotion of the supposedly "democratic" wing of the reactionary Brazilian political system—the "broad front" with the bankers, agribusiness and the traditional right-wing parties—and the wholesale transfer to the judiciary, investing extraordinary powers in the hands of a single judge, Alexandre de Moraes, of the task of containing fascism. This was a deliberate political decision to undermine the building of any mass base in opposition to fascism—because such a movement would quickly escape the PT's control and turn against the very capitalist regime it defends.

This same mechanism governs the program with which the PT is contesting the current election, with broad support from the pseudo-left parties. Facing Trump's tariffs and the advance of war, its response is to intensify patriotic appeals. This amounts to a defense of national capitalism, whose competitiveness demands ever-growing sacrifices from the working class—combined with an exacerbated promotion of militarism. The very same Armed Forces that provided the institutional base for Bolsonaro's coup attempt are today presented as the bulwark of national sovereignty.

This bankrupt perspective, whose essence is to disarm the working class before the national bourgeoisie and its state, is preparing the ground for a catastrophe.

Neither the PT, nor the pseudo-left that supports it, offer any way out. All these organizations, including those that present themselves as most critical of the government, work to keep workers subordinated to Lula, to the unions that smother every strike, and to the political terrain of the national bourgeoisie, precisely as that terrain reveals itself to be rotten through and through.

For the independent mobilization of the working class

There is no solution for Brazilian workers either in the STF's "judicial path" or in the alternation between factions of the same elite at the ballot box in October. The election presented as a choice between democracy and coup-plotting is being contested by forces equally subordinated to the same decomposing system.

The only social force capable of stopping fascism and the imperialist offensive is the working class, mobilized independently, with its own program and its own organizations of struggle, as an international force.

The Socialist Equality Group, in solidarity with the International Committee of the Fourth International, reiterates the appeal it made in its declaration of July 2025: workers in Brazil and throughout Latin America must "break with the rotten national political channels dominated by the bourgeoisie" and unite with their class brothers and sisters throughout Latin America, in the United States and internationally to fight against capitalism, war and fascism.

This is the task posed by the present crisis. Building the revolutionary leadership capable of carrying it out is the decisive question of Brazilian politics today.