

Italian business corporations usually do not negotiate directly with Italian tax authorities but instead hire a negotiator, called a *commercialista* to deal with the authorities. After hiring the *commercialista* corporate officials then usually keep their distance from the negotiations. The settlement ultimately reached often depends upon a substantial cash payment, called a *bustarella*, made to the revenue agent by the *commercialista* at a crucial point in the negotiations. Whatever *bustarella* is paid during the negotiation is included in the *commercialista*'s fee once he concludes negotiations. If the final settlement is favorable to the corporation the corporation pays the fee. It never knows how much, if any, of the fee represents the *bustarella* and how much is the *commercialista*'s profit. The full amount of the fee is tax deductible.

Assume you are the head of the Italian subsidiary of an American firm. Is it morally permissible for you to hire a *commercialista* to deal with the tax authorities, or are you required by morality to direct your firm's accounting department to file a tax return that represents the department's best good faith estimate of your firm's tax liability? In either case, state your reasons.

MODERATOR'S ANSWER: It is morally permissible to hire a *commercialista*. In this case the *commercialista* does not offer bribes to the tax authorities, but instead negotiates your firm's response to demands for an extortion payment. The difference is that offering a bribe involves making a payment to obtain something you don't have to right to obtain, whereas in making a extortion payment you pay to satisfy a person who is denying you something to which you have a right. The main ethical reason to avoid making extortion payments is that they tend to perpetuate and support the unethical practice of which the extortion demand is a part. In this case, however, there is very little realistic possibility that your refusal to submit will lead to a significant change for the better, and it may seriously hurt your firm.

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