European Journal of Economic and Financial Research
ISSN: 2501-9430
ISSN-L: 2501-9430
Available on-line at: http://www.oapub.org/soc

doi: 10.5281/zenodo.377052 Volume 2 │ Issue 1 │ 2017

FATCA'S EFFECT ON THE IN-FLOW OF INVESTMENTS TO THE UNITED STATES OF AMERICA

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Abstract:
Foreign Account Tax Compliance Act (FATCA) has become one of the most controversial policies in the United States economic history. Although FATCA aims at increasing the government's revenue, the policy has regrettable economic and social implications that threaten the state's future development. Precisely, the policy has direct and long-term implications on investors and investment processes. Therefore, the research examines the manner in which the government uses the policy to strengthen its operations. The study also explores the impacts of the FATCA on investment, policies, digital investment, the determination of the optimal structure of clients, investment psyche, and roles of mobile devices and the legality of the FATCA.

Keywords: FATCA, investments, economic policies

JEL: E22, F21, G11, O16

1. Introduction

The FATCA has led to controversial debates among economic experts, business leaders, and the government. Although the United States' government supports the policy, other stakeholders associate the law with regrettable economic implications, especially among multinational businesses. Besides, the introduction of the FATCA policy has received criticism by investors and immigrants (Coder 2012, p.21). Although the policy aimed at addressing impacts of the 2008 global economic recession, the initiative had huge setbacks as compared to its benefits. As a result, most of the global investors and scholars describe FATCA as the worst and most controversial law in the United States' history ((Song. 2014, p. 21).

Ideally, Foreign Account Tax Compliance Act is the 2010 United States' federal law (Song. 2014). The law requires American citizens to provide annual reports on their financial accounts. The law also compels Americans who stay and work in foreign states to report records of their financial accounts. The policy also focuses on helping the United States to recover some of the resources it was losing due to a lack of guidelines to collect overseas taxes. The government also uses the regulation to collect resources from investors who had the reputation of failing to pay their taxes within the required time (Harvey 2014, p. 319). The idea negatively affects various stakeholders in the United States and the global market. Precisely, the law had huge impacts on individuals with the United States proper and those living outside the country. For instance, over 3% of the Canadian population challenged the government for introducing the policy in the global market (Ercanbrack, 2015). Bank clients who live in other states also challenge the idea for increasing the level of scrutiny on their accounts. FATCA also affects immigrants who invest in the United States. Besides, United States' investors criticize the policy for undermining their operations in local and global markets. Therefore, the analysis and evaluation of the impacts of the FATCA will help the American government and other involved stakeholders to identify and formulate effective guidelines that will reduce its implications to the investment process and the entire American and global economy (Brodzka 2014, p. 12).

2. Literature Review

2.1 The Use of FATCA to Strong Arm the Government

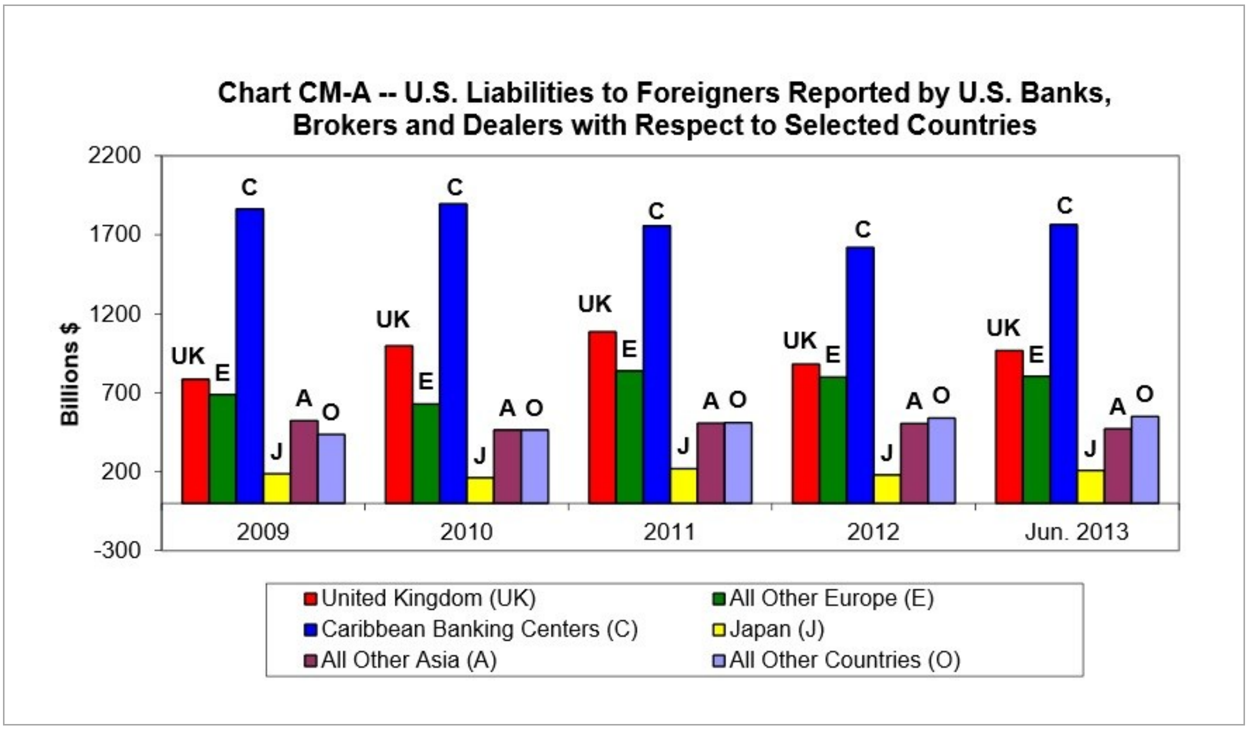
Economists and investors challenge the United States' government for using FATCA as a strong arm of the government. The FATCA aims at advancing the government revenues by increasing the source of its taxes (Brodzka 2014, p. 11). Therefore, the government uses the policy to combat tax evasion. The high amount of income to the government can strengthen its arms by ensuring that it engages in productive economic activities that have immediate and long-term implications to the state's economic development (Ercanbrack, 2015).

Besides, the law advances the United States' government powers of compelling strong financial institutions to work with the Internal Revenue Service. Ideally, the Internal Revenue Service has the mandate to collect revenue on behalf of the government. Therefore, teamwork between popular financial institutions and the Internal Revenue Service helps the government to advance its revenue (Ercanbrack, 2015). However, critics argue that instead of increasing the government revenue collection, the FATCA has been advancing suffering and frustrations among non-Americans and Americans who reside in foreign states. The policy also helps the government to implement the 2010 HIRE Act. Ideally, the implementation of the HIRE Act requires a high amount of resources (Brodzka 2014, p. 11). Therefore, the government was compelled to increase its income to support HIRE Act implementation processes.

The inclusion of the foreign financial institutions as a deputy tax collector also advanced the government's ability to collect revenues from various sources (Ercanbrack, 2015). Currently, the foreign financial institutions also improved the government's capability to identify and inspect financial operations and activities among Americans who reside in foreign states.

The plan also advanced the government's power and ability to access rich tax offenders. Statistics indicate that the government was losing over $100 billion a year due to tax evasion by wealthy investors (Ercanbrack, 2015). Furthermore, the regulation affects the middle-class income earners. The approach has currently increased the level of tax collection among middle-income earners by over $ 1 billion annually. The process also increased revenues collected from foreign international banks by over $ 7.5 billion (Coates 2015, p.882). The American government indicated that foreign investment banks had a huge amount of debt that affected its operations. Therefore, the introduction of a law that would increase the government's ability to deal with global companies who failed to pay taxes was essential in increasing its income (Coates 2015, p.882). The subsequent graph reviews resources that foreign investors owe the United States' government:

Graph A



Source: Coates 2015, p.882

The government also uses FATCA to detect and identify indicia in the United States. The identification of indicia helps the government to evaluate their assets. In most instances, FATCA data helps the government to crosscheck self-reported data. The policy also empowers the Financial Crimes Enforcement Network to investigate the United States' self-reported data. Ideally, America residents are required to report their non-US assets to the FINCEN annually (Coates 2015, p.882). The reporting takes place through the IRS information-reporting form 9838. Therefore, the FATCA facilitates the detection of individuals who fail to report their assets within the required time and procedure. The plan has so far allowed the collection of huge resources and penalties from individuals who fail to comply with the regulations. The policy also advances the government's ability to locate individuals who live in other states and have failed to pay taxes and report their assets for a long time (Brodzka 2014, p. 11).

FATCA also advances the government's power to locate and identify the total number of Americans and non-Americans who are required to pay taxes. The policy ensures that the government has adequate and necessary information on social security numbers and total asset value (Poptcheva 2013, p. 6). Therefore, the law has been reliable in supporting the collection of information on assets as opposed to income. Furthermore, the reporting of the client's information by the existing financial institutions helps the government to detect individuals' network during the payment procedures (Brodzka 2014, p. 11). The plan also helps the United States government to use inter-governmental agreements regulations that require all global financial institutions to present information on clients' assets.

The law also helps the government to implement the United States taxes law. The US tax law requires all individuals to pay and report their federal income tax. Therefore, the tax payment is compulsory in the United States (Brodzka 2014, p. 11). The law also compels individuals who stay in other states to comply with the state tax laws. As a result, effective implementation of the FATCA has been critical in supporting revenues collection in America. The law also strengthens the government by granting it additional powers to collect revenues that support its development plans (Brodzka 2014, p. 11).

2.2 FATCA and Companies Flexibly Regarding Applying New Policy

The FATCA has compelled affected companies to think flexibly in applying the new policy. The plan has led to the significant reduction in business investment and profits. As a result, companies have been formulating regulations that can advance their ability to comply with new regulations. Americans and the European companies have formulated plans that focus on improving their investment in developing states (Kuenzi

2014, p. 41). The investment in developing states has so far helped popular international companies to increase their income and profits.

Firms have also been changing the elements of investment. Therefore, research and market surveys are useful in transforming investment elements among companies. Companies have been adopting flexible marketing and promotion plans. Statistics indicate that FATCA has been increasing business operations and management costs (Wood 2011, p. 161). As a result, businesses are required to increase their sales to retain their market shares and competitive advantages. Effective and sustainable marketing and promotion plans have been useful in improving company sales. Precisely, the combination of modern and conventional marketing and promotion plans help to increase the numbers of companies' loyal and potential clients (Cohn 2012, p. 21).

Teamwork between the government and businesses also help companies to comply with the FATCA guidelines. Experts indicate that the process of complying with the regulation is relatively costly and demanding (Saunders 2013, p. 36). The implementation process also affects popular companies' daily activities and operations. Therefore, the government's involvement in the formulation and structuring of the compliance plan is essential in facilitating the successful implementation of the policy. Teamwork between the private sector and the government also helps to deal with possible setbacks that can undermine their implementation plan.

Bogaard, Michael and Draz (2013, p. 2161) indicate that the FATCA has also led to the increase in taxes among the involved states. So far, the tax is higher than the nominal rate. Tax is also not refundable to the policyholders. Therefore, affected companies have been adopting regulations to improve their production in local and global markets (Ercanbrack, 2015, p. 25). The involvement of all stakeholders in the implementation of the business policies helps to reduce conflict of interests. Besides, affected companies have been sharing essential information that can facilitate successful implementation of the policy (Brodzka 2014, p. 11).

Studies indicate that popular companies have been working together to understand implications of the policy and effective means to counter its impacts (Ercanbrack, 2015, p. 25). For instance, the organization of various conferences among companies' leaders enhances the successful implementation of the plan. Equally, contemporary companies have reliable human resource policies that focus on managing implications of the plan. The increase in the cost of implementing the program has implications on the development cost. Therefore, companies in developed states have identified minimum wages that increase their ability to deal with the problem (Ercanbrack, 2015, p. 25). Consequently, based on the accessible data, FATCA has regrettable impacts on the companies' operations and policies (Jolly & Knowlton 2011, p. 319). Therefore, American productive firms have been compelled to adopt flexible plans to advance their ability to implement FATCA without affecting their immediate goals and long-term expectations.

2.3 Digital Investments

Digital investment has become a major development in most of the modern reputable and productive companies. The emergence of modern technology has significantly transformed business operations and investment plans (Yin, & Kaynak, 2015, p. 142). Digital investments revolve around planning and managing activities and operations based on the business performance and expectations. Successful companies also have intensive tools that facilitate the adoption of the modern technology. Potentials in investments, support of an investment, key operational investment, and strategic investment are some of the key components that define the success of the digital investments (Yin, & Kaynak, 2015, p. 142).

Contemporary companies have been using the strategic investment to define future benefits of the digital investments. Strategic investments support the transformation of the businesses activities and management structures. Strategic investment is also significant in advancing businesses' competitive advantages (Al-Fuqaha, Guizani, Mohammadi, Aledhari, & Ayyash, 2015, p. 376).

Operational investment helps to sustain business operations. As a result, key operational investment reduces possible setbacks by investing on productive activities. For instance, digital applications such as ERP system and online marketing channels have been useful in increasing companies' ability to comply with the emerging taxation rules and regulations (Brodzka 2014, p. 11).

Support investment also improves business management and operational efficiency. Support investment assists in the reduction of the operational cost due to the emergence of new policies and regulations. However, modern businesses have been facing the challenge of balancing between support and operational investment (Al-Fuqaha, Guizani, Mohammadi, Aledhari, & Ayyash, 2015, p. 376). Successful companies have the reputation of investing in high-potential investments. Potential investments create the required opportunities that facilitate future advantages. Therefore, effective use of the research and development plans advances companies' ability to comply with the existing taxation regulations and policies (Al-Fuqaha, Guizani, Mohammadi, Aledhari, & Ayyash, 2015, p. 376).

2.4 Impacts of Digital Investments

Digital investments present encouraging impacts on modern investments. Modern professionals and economic experts associate technology with improved profitability. Although the cost of implementing modern technology is relatively high, its impacts have returns on the investments. Digital investments also help businesses to identify and concentrate on their target market. These technologies assist companies to access better clients in the market with limited constraints (Sterman 2009, p. 327). The technology also helps businesses to identify clients' specific qualities such as location, personal interest, age, and income.

Digital investments also help to provide reliable and valuable market data. The understanding of the market data assists business leaders to identify impacts of their marketing plans and FATCA. The information also helps businesses identify opportunities and areas that require improvement. The identification of effective marketing plans reduces business operations and marketing costs. Digital investments are also cost-effective as compared to conventional strategies. Precisely, online marketing is relatively cheap as compared to other strategies. Recent statistics indicate that online marketing reduces marketing cost by over 60 % (Feenstra, & Hanson, 2015, p. 97).

Digital investments also support interaction between company's leaders and clients. Consistent interactions among key players in the market facilitate the sharing of information that can advance policy formulation and implementation processes (Feenstra, & Hanson, 2015, p. 97). Digital investments also improve small businesses' ability to compete with popular and reputable companies. The existence of effective and affordable marketing tactics increases small businesses' ability to compete in the global market (Feenstra, & Hanson, 2015, p. 97).

Digital investments help to save businesses resources. As a result, companies use the acquired resources to expand their investments and implement government's policies. Business leaders also use the acquire resources to offer training to their workforce. Furthermore, the acquired income supports the companies' research and development plans (Sterman 2009, p. 327).

2.5. Mobile Devices

Mobile devices have been increasing the government's ability to earn revenue. Mobile devices help citizens to use online services to pay their taxes. Therefore, the devices have been reducing cases of tax evasion (Yin, & Kaynak, 2015, p. 142). Mobile devices also help clients to track their tax returns. The device also helps individuals interested in applying for PAN to verify their details such as address, birthdate, and biometric identification. Statistics also indicate that mobile devices have been increasing the number of individuals with the ability to pay taxes. Therefore, the technology has played a critical role in increasing the government revenue (Al-Fuqaha, Guizani, Mohammadi, Aledhari, & Ayyash, 2015, p. 376).

2.6 Policy and Investments

So far, scholars have identified a close relationship between policies and investment. In most instances, policies define types and nature of investments in an economy. Policies have direct and indirect impacts on investment. Directs impacts involve the direction and interest rate level. The indirect impacts are expectations on inflation and investments. Statistics indicate that FATCA has both direct and indirect impacts on investments in the United States and other global markets (Lamont 2015, p. 83).

2.7. Protectionism and Its Continuous Indifference to the World Trade Organization

Protectionism has positive impacts on the United States' economic and social development. The ideology supports American investments and businesses. Protectionism supports the growth of strong industries that are competitive in the global market (Brodzka 2014, p. 11). The reduction in huge tariffs also increases local companies' competitive advantages over their foreign competitors. Protectionism also helps small businesses to learn reliable means to develop competitive and high-quality products. The ideology also increases the America economy ability to create additional employment opportunities for domestic workers. Besides, reduced tariffs and increased subsidies increase companies' productivity and competitive advantages (Levchenko Lewis, & Tesar 2010, p. 214).

However, the continued indifferences between WTO and the U.S. can affect local investments. The indifferences can undermine local companies' ability to engage in free trade. In most instances, free trade eliminates huge quotas and tariffs between trading partners. Therefore, the high cost of running a business in the United States can affect the return on investment. The indifference between WTO and the United States can also reduce resources and products found in the United States' market. Besides, the differences can undermine businesses' innovation and development plans (Levchenko Lewis, & Tesar 2010, p. 214).

2.8 Compliance Issues to FATCA

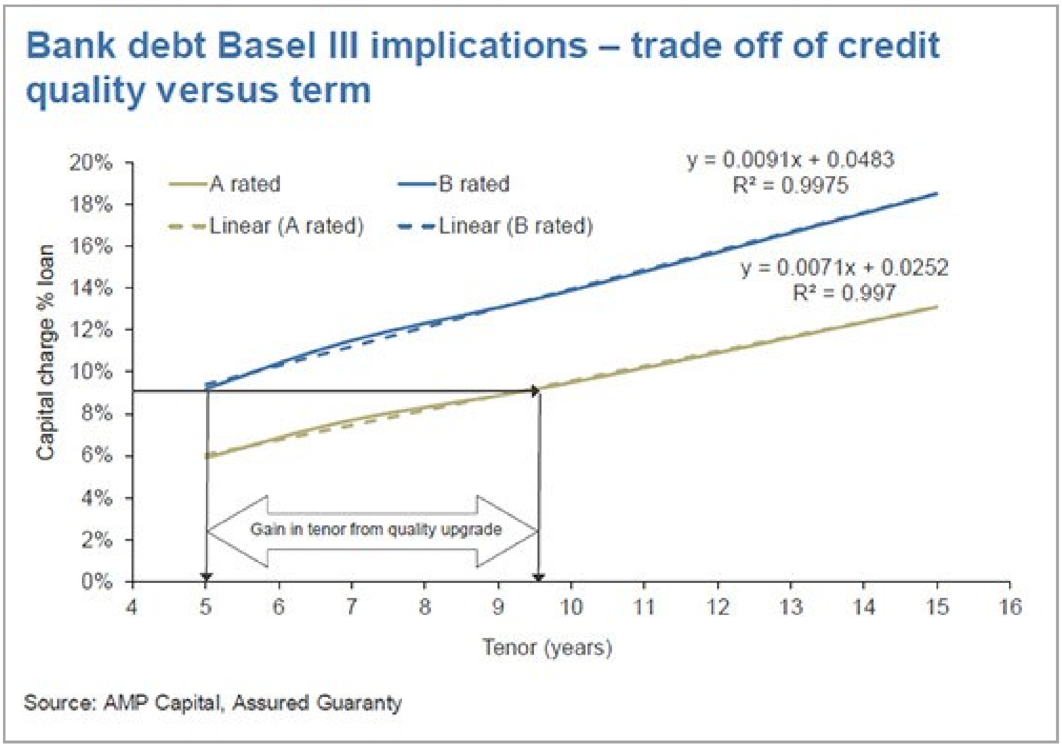
The FATCA has led to additional compliance issues. The IRS was required to promulgate the Form W-8BEN in 2014. The Form W-8BEN helped account holders to certify their status. The Form W-8BEN also ensures that foreigners comply with the FATCA reporting requirements. FATCA also compelled owners of foreign accounts to fill statement of the specified foreign financial assets. The swap contracts also changed the United States' dividends into equivalents. The FATCA also raised penalties on negative presumptions (Levchenko Lewis, & Tesar 2010, p. 214).

2.9 Investment Banking Products and Their Solutions

FATCA had impacts on investment banking products. The policy led to the increase in the investment banking product costs. The high cost of the bank's products reduced the number of the banks' clients resulting in low profitability. The process of implementing the FATCA was also relatively costly and demanding (Levchenko Lewis, & Tesar 2010, p. 214). As a result, banks were required to terminate most of their development plans to address FATCA requirements.

Besides, investment banks were required to reduce a good number of their skilled workforce. The low number of employees affected the quality of products in the market. The classification of account holders as non-US and US has reduced the number of clients interested in purchasing bank products. The annual reporting of the account holders' information to the IRS also reduced the number of the banks' loyal clients. Therefore, to address impacts of the FATCA, all stakeholders need to formulate effective and integrative mitigation regulations. The involvement of key players in the implementation of the FATCA can also reduce possible setbacks that emerge due to the policy in investment banking products (Fazzari, Hubbard, Petersen, Blinder, & Poterba 2014, p. 141). The subsequent graphs reviews impact of the credit quality and trade off on credit:

Graph B



Source: Fazzari, Hubbard, Petersen, Blinder, & Poterba 2014, p. 141

2.10 Debt versus Equity Conundrum

Business leaders use debts and equity conundrum to identify optimal structure among its clients. The use of the two approaches enhances the collection of accurate data on changes in the market needs. In most instances, businesses that are interested in raising their equity distribute their ownership to potential shareholders. As a result, shareholders have a notable control of the business. On the contrary, debt helps to eliminate dilution of the business equity. Debt also helps business leaders to maximize their control in the company. However, businesses are required to abide by the identified debt obligations to reduce unnecessary disruption in the management of businesses (Fazzari, Hubbard, Petersen, Blinder, & Poterba 2014, p. 141).

2.11 Investment Psyche

Investors have various expectations in their plan to start a business in local and global markets. In most instances, investment psyche helps to determine the kind of an investment the investor is willing to start in the market. The existing investment options help investors to identify the most effective and competitive business in the market. The possibilities to changing the investment in case of a failure also determine investors' decisions. The existing economic and environmental factors also determine the effective investment in the market. Studies also indicate that investors prefer to repurchase products that have benefits as opposed to goods sold at a loss. Investors are also interested in products that increase value and demand in the market. Products that have additional market shares also increase the demand for a particular investment (Halaba, Ilguen, & Halilbegović 2017, p. 181). Therefore, investment psyche helps investors to identify the most effective and productive business in the market.

2.12 FATCA and Change of Investors' Position

FATCA has changed the manner in which investors make their decisions in the market. Investors hold the perception that FATCA is an insecure policy. The policy also reduces business opportunities in the affected markets. As a result, investors have been investing in states that do not have the FATCA. Investors also engage in less risky businesses to minimize chances of losing a huge amount of resources. Investment in developing markets has also increased considerably due to the introduction of FATCA in developed states. Therefore, the policy has been reducing investors' desire to invest in developed states (Grinblatt, Keloharju, & Linnainmaa, 2012, p. 336).

3. Methodology

The mixed research methodology supported the collection of adequate and credible information on the effects of FATCA on the inflow of investment in the United States. The method also helped in the gathering of information from various sources on reliable means to avoid the collapse of the United States' economy. Literature review supported the understanding of scholars and stakeholders' views and suggestions on the implications of the FATCA. So far, scholars have undertaken adequate market surveys and research to identify implications and the implementation of the FATCA. Research findings indicate that FATCA problems overweight its benefits. Therefore, economic experts support the rectification of the policy to address the illegal clauses (Ben-David, & Hirshleifer, 2012, p. 485).

Qualitative research approach also supported the collection of empirical data from credible secondary sources. The approach helped the researcher to identify impacts and possible solutions to the FATCA problems. The qualitative approach also helped the researcher to compare and contrast figures from different sources (Brodzka 2014, p. 11). Quantitative data method also supported the gathering of numerical data. The collection of credible numerical information facilitated the generalization process. The method also enhanced the understanding of financial implications of the FATCA to the economic and investors. Also, auditing of existing figures was done to advance the source of the research information. So far, business experts have published numerous journals that highlight implications of the FATCA on the United States 'economy and the inflow of investments.

3.1 Sampling

Radom sampling method was useful in identifying reliable sources of the research data. Random sampling granted all participants an equal opportunity to participate in the research. The method also assisted the researcher to identify the most qualified participants in the research. Therefore, effective use of the random sampling method helped the researcher identify reliable and credible sources of the research data (Patil & Mankar 2016, p. 16).

3.2. Data Collection Method

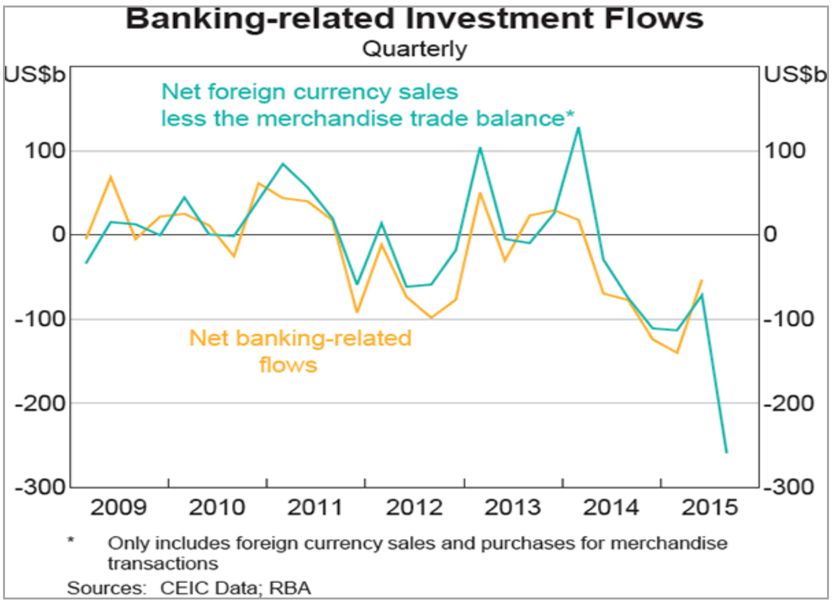
The researcher also used various data collection methods. The interview method enabled the researcher to gather data from small business owners in Saudi Arabia who were affected by the FATCA rules. The researcher relied on information from over 15 small business investors. Clients also presented their views on the impacts of the FATCA on prices and quality of products in the market. Interview process also facilitated the gathering of information from Americans who reside in other states such as Canada and China (Bernanke 2013, p. 98). Precisely, online services and telephone conversation supported the interview process with foreigners.

The research also relied on direct observation to understand Americans' views on the FATCA. Non-verbal communication among Americans who reside in other states affirmed that most of the citizens were uncomfortable with the new regulations. The collection of data from economic analysis reports also facilitated the gathering of the research data. So far, United States' economists have engaged in an endless economic analysis to understand implications of FATCA on economic progress. Therefore, the analysis of the research findings was essential in enriching the already existing stock of knowledge (Govil, Qasem, & Gupta, 2015).

4. Findings

Research statistics indicate that FATCA has been undermining the inflow of investment in the United States. Economic and financial journals indicate that the level of inflow of investment has been reducing lamentably in the U.S. The introduction of strict regulations is the cause of the reduction in investment in-flow. Experts further affirm that the regulations reduce the profit of popular businesses in America (Brainard, & Tobin, 2015, p. 426). Foreign investors are also unwilling to use a substantial amount of resources in the United States' economy. Therefore, FATCA is a threat to the United States' economic progress. Particularly, the law has notable impacts on the United States financial sector (Halaba, Ilguen, & Halilbegović 2017, p. 181). The following graph highlights banking-related investment flows in America in seven years.

Graph C

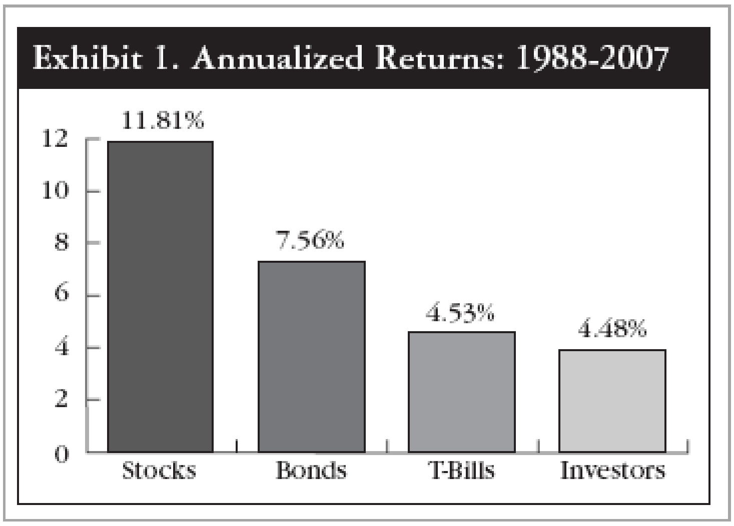


Small businesses investors also affirm that FATCA affects their investment psyche. Statistic indicates that the number of investors interested in the United States' market has reduced by over 35 %(Patil & Mankar 2016, p. 16). Moreover, over 67% of the interviewed investors affirmed that FATCA has changed investors' psychology cycle. Initially, local and foreign investors presented a high level of opportunistic, hope, relief excitement, and thrill in the America market. However, the research findings indicate that investors' views on the U.S market have changed considerably. Anxiety, panic, depression, capitulation, despondency, and desperation are some of the traits that define investment in the American market (Levchenko Lewis, & Tesar 2010, p. 214). The subsequent chart highlights investors' psychological cycle in ten years:

Graph D

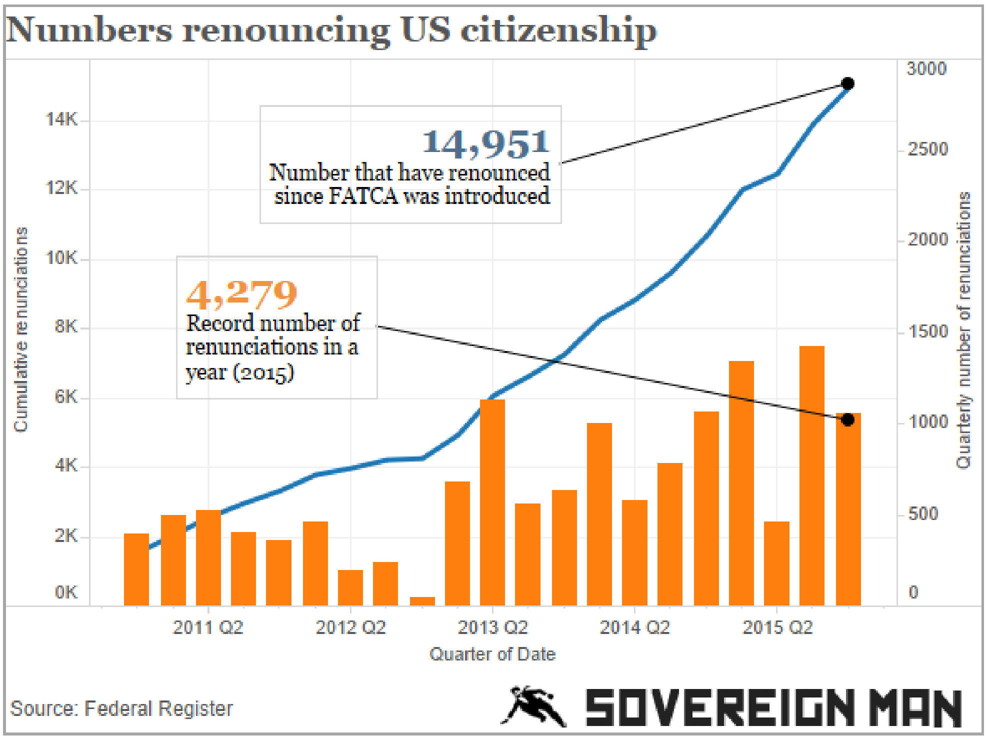
The annual returns on U.S. investments have also reduced as compared to other economic activities in the country. Leaders in popular Amercian companies indicate that annual returns on investment are relatively low as compared to the previous investment. Scholars link the problem with the existing fears and anxiety that emerge due influences of FATCA (Levchenko Lewis, & Tesar 2010, p. 214). The below table compared annual returns in among different investors in the market.

Graph E



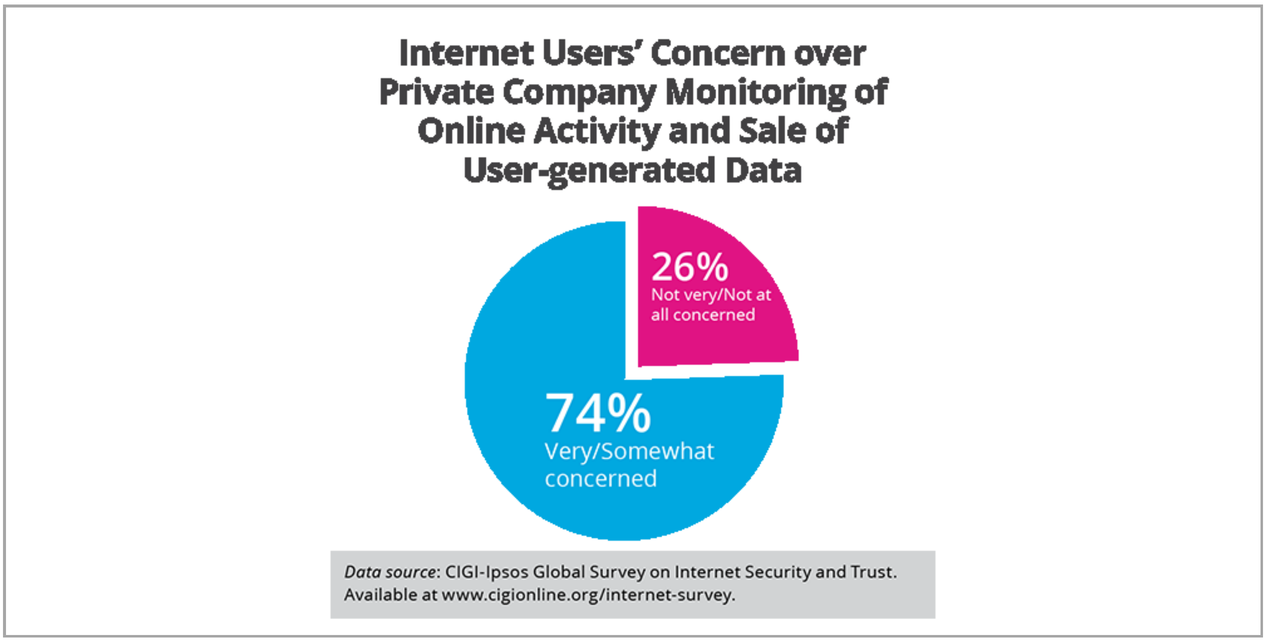
Americans residing in other globalized states also expressed their dissatisfactions on impacts of the FATCA on the American economy. Critics also challenge the policy for reducing their living standards. The research respondents also indicated that the policy has been reducing their income in foreign states. Therefore, based on the research findings, FATCA is largely illegal. Besides, the number of Americans who are renouncing the America citizenship has been increasing since 2011. The high number of Americans disassociating themselves with the states is a threat to its future economic development. The subsequent graph reviews the number of individuals renouncing their citizens in five years:

Graph F



The research findings indicate that most of the Americans who reside in the United States and other countries are concerned about their privacy due to the introduction of FATCA. Statistics indicates that over 76% of the interviewed individuals raised concern that the directive undermined their privacy (Baker, Bloom, & Davis 2016, 593). As a result, the law was contrary to the Second Amendment of the American constitution. Respondents also indicate that the regulations require immediate rectifications to meet Americans' needs. The subsequent chart reviews the number of respondents who were concerned about the monitoring of online operations by banks and the government:

Graph G



The research findings also indicate that the process of implementing the FATCA is relatively challenging (Fazzari, Hubbard, Petersen, Blinder, & Poterba 2014, p. 141). The policy has been facing numerous handles that affect its implementation process. Furthermore, criticism by local and foreign investors has been a setback that affects successful implementation of the FATCA, especially in developed states. The interviewed economic experts associate various factors with poor implementation of the FATCA in the global market. The high implementation cost, limited benefits, fairness, relevance, foreign relationship, effects on non-Americans, and the lack of reciprocity are some of the factors that undermine effective implementation of the FATCA. The subsequent table reveals the number of countries that have adopted the FATCA in their operations and investments:

Graph H

5. Discussion

Research findings indicate that FATCA is an unproductive policy. Although the regulations are aimed at increasing government revenue, the policy has numerous setbacks as compared to its benefits. Therefore, the government and other stakeholders should consider amending the challenging clauses to address needs and interests of Americans and non-Americans. So far, the policy has changed the manner in which investors make their decisions and position. The research findings indicate that the number of investors in the United States' market has been reducing considerably due to the logistical challenges that emerge due to the implementation of the FATCA (Baker, Bloom, & Davis 2016, 593). The foreign direct investment is also relatively low in the United States as compared to other developed states such as China and European countries. The low level of investment is a threat to the America future progress.

Besides, investors have been using equity conundrum in determining optimal structure of their clients in the market. The use of the equity conundrum has reduced financial institutions' income in the last five years. The limited amount of loans also slows economic progress in America. The research findings also link FATCA to the change in the investment psyche among medium and small-scale investors. Ideally, small and medium investors are the main drivers of development and economic growth. Therefore, low investment levels among small investors affect in-flow on investment.

FATCA also accelerates conflict between the U.S. and the World Trade Organization (Coder 2012, p.21). The consistent conflicts reduce benefits associated with free trade among small investors. Besides, although the high level of protectionism has benefited American investors, the ideology threatens productive foreign investors. Therefore, teamwork between local and global players can largely benefit the United States' social and economic development. FATCA has reduced investment in the U.S. Instead, most of the American population prefers to invest in other developing states. Therefore, to address impacts of the FATCA, the government needs to stop using the policy to strengthen the arms of the government. On the contrary, the government needs to involve investors and Americans in making critical changes to the policy (Baker, Bloom, & Davis 2016, 593).

6. Conclusion

Therefore, although some laws in the United States support mandatory payment of taxes among citizens, FATCA is largely unlawful. The law is contrary to the United States' constitution that protects individuals' rights to privacy. Ideally, the act of compelling financial bodies to submit private information of its clients is contrary to the states; citizens and investors' fundamental rights. Besides, some of the investors who reside in other states are compelled to pay taxes in foreign countries. Therefore, it could be said that the FATCA introduce double taxation among U.S. citizens living in other countries.

The IGAs has unconstitutional agreements since it overrides the intention of the FATCA. The act of reporting information on foreign financial accounts also denies Americans living in other states equal and fair legal protection. The excessive fines clause also criminalizes the FFI penalties. Excessive fines clauses also criminalize the FBAR Wilfulness Penalty. The Fourth Amendment is also against the Information Reporting Requirements.

Therefore, the government and other stakeholders need to consider amending the FATCA. Stakeholders also need to consider its impacts on the economic and investors' positions and decisions. Consequently, intensive consultations among key players will support the identification of lasting solutions to some of the problems and legal challenges presented by the FATCA. Besides, failure to amend the FATCA can result in continued deflation of inward investment and lead to an imminent collapse of the United States.

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