**ORIGINAL ARTICLE** 



# How to achieve National Development: Chinese Achievement and State-building

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Abstract: From the great geographical discovery to the formation of the world market, to the industrial revolution bringing mankind into the industrialized society, to the failure of industrialization in most emerging developing countries after World War II, the gap between the rich and the poor between countries has become larger and larger. However, China's economic development has been successful in recent decades. The failure of industrialization in Latin America, Southeast Asia and Eastern European countries and the success of China's economic development show that effective national construction is an important factor to ensure national prosperity and promote national rise. It can effectively explain the speed of China's economic development and contribute Chinese experience to the economic development of other countries in the world.

Keywords: China, National Development, State-building.

# **I.Introduction**

The root of the instability in the world and regional order today is the weakness of state. Under this background, effective state-building has gradually become an important proposition in the world today. On the one hand, the western society needs to absorb the successful experience of state-building to solve the increasing economic, political and social problems in its country and maintain the stability of the domestic order. On the other hand, a set of effective state-building theory is helpful to establish a stable social order and social environment in unstable, poor and backward countries or regions, so as to restart the local economic development and help the local people get out of poverty as soon as possible and obtain a stable life. At the same time, the development of backward countries will inevitably bring about demand for commercial goods, trade and infrastructure construction, expanding the breadth and depth of the world market and benefiting the development of all economies in the world.

As a newly rising power, China has accumulated rich state-building experience in its development process because of its vast territory, regional diversity, ethnic diversity and strong cultural diversity. If China's experience is effectively summarized, generalized, generalized rules are abstracted from it, and incorporated into "China's experience", and this will contribute to the "China Plan" for global governance, so as to help poor and backward developing countries get rid of their difficulties, stabilize national and regional order, and integrate into the global market. As Fukuyama said, "The state-building art will become the key to national strength, and its importance is no less than the ability to use traditional military forces to maintain world order" [1].

# **II.Industrial Revolution and National Development**

Before the geographical discovery at the end of the 15th century, the gap between the rich and the poor in the world was not large. At present, the gap between rich and poor between countries and regions actually started with the formation of the world market, intensified with the rise of the industrial revolution, and finally settled in the middle and late 20th century<sup>[]</sup>.

#### 1. The emergence of the gap between rich and poor in mercantilism

(1) The beginning of economic growth and the formation of the world market

From the 16th century to the 18th century, with the rise of commodity trade, emerging countries on the European continent began to generally adopt mercantilist policies to adapt to the increasing scale of foreign trade. The growth of the world economy started from this period, and the most important driving force for economic growth came from the formation and expansion of the world market. Under this background, the world has formed a Pacific trade circle dominated by Asia-Europe trade and an Atlantic trade circle covering Europe, America and Africa. In Asia-Europe trade, Europe imports a large amount of spices, textiles, porcelain and tea from Asia and exports silver. Trade between Europe and the United States is diametrically opposed to trade between Asia and Europe. Europe exports all kinds of handicraft products to the Americas to reach the population. It mainly imports gold and silver as well as tobacco, wood, sugar, cotton and other materials rich in the Americas<sup>[]</sup>.

(2) The emergence of the gap between the rich and the poor between countries and the expansion of the gap between the rich and the poor between countries

The formation of the Pacific and Atlantic trade circles expanded the original European market into the world market, and trade was the main content of the market during this period. According to the difference in trade status, the central region with the western Nordic countries as the main body, the semi-marginal region with other parts of Europe and the marginal region with the United States as the main body have been formed. Since the countries in the central region control the operation of world finance and markets and master advanced production and processing technologies, the profits obtained in the operation of the world market are higher than those in the marginal and semi-marginal regions, and the profits of the countries in the semi-marginal regions are also higher than those in the marginal regions. Therefore, the gap between the rich and the poor among the countries in different regions begins to appear and gradually expands.

## 2. Expansion of Poverty Gap between Countries during Industrial Revolution

(1) The emergence and development of the industrial revolution

After hundreds of years of expansion in the global textile market, Britain established the largest textile market in Europe in the early 18th century and has a large number of textile handicraft factories. Relying solely on handicraft workshops has been unable to meet the strong demand brought by the huge market. Therefore, driven by profits, in order to meet the demand of the domestic and foreign markets for cotton cloth in Britain, the shuttle was invented, greatly improving the speed of weaving. However, the increase in weaving speed has led to a shortage of yarn supply, thus giving birth to Spinning Jenny, from which the British textile industry officially stepped into mechanized mass production. The huge production capacity brought by textile mechanization. Such a large-scale increase in trade volume and transportation demand naturally promoted revolutions in other fields (mining, metallurgy, machine manufacturing, transportation) and triggered the first industrial revolution in Britain. In the decades after Britain started the industrial revolution, the United States, France, Germany, Russia and other countries successively entered the process of industrialization and started their own industrial revolution. As a result, when the first industrial revolution in various countries reached its climax, the demand for production tools for mass production in the world market became strong. Driven by profits, large-scale production of production tools came into being. This large-scale production of mechanical equipment formed the later heavy industry, and the vigorous development of heavy industry sounded the horn of the second industrial revolution. Judging from time, Britain entered the first industrial revolution in the 1860s and launched the second industrial revolution in the 1860s. The United States started its first industrial revolution in the 1820s and entered its second industrial revolution in the 1880s. Finally, both Britain and the United States completed the second industrial revolution in the early 20th century.

(2) The gap between the rich and the poor between industrialized and non-industrialized countries has widened in an all-round way.

The industrial revolution has changed the world's pattern of rich and poor, making some countries that were

originally in semi-marginal and marginal areas in the world market become "rich countries". In contrast, some countries that were originally in the central region, such as the Netherlands, were gradually marginalized and even disappeared from the world market due to their failure to start the industrialization process in time. At the beginning of the 20th century, Britain, the United States, Germany, France and other countries successively completed the second industrial revolution and developed chemical industry and mechanical equipment manufacturing industry in China, making it possible to start agricultural mechanization and modernization. With the popularization of chemical fertilizers and agricultural machinery, agricultural production has officially entered the era of industrialization, and human industrial production has finally formed a complete cycle system. Such a large-scale industrial circulation system means that in industrialized countries, large-scale production can be realized from intermediate products to final consumer products, from spare parts to production tools themselves. Since then, the industrialized countries have surpassed the non-industrialized countries in all respects, and the output per unit of agriculture has greatly increased, thus completely solving the problem of food security and successfully jumping out of the Malthusian trap. For the non-industrialized countries, their role is still to provide raw materials, primary products, raw materials, cheap labor and sales market. The wealth accumulation of non-industrialized countries is increasingly different from that of industrialized countries.

#### 3. New Changes in the Gap between Rich and Poor Countries after World War II

The destruction of the Second World War temporarily dispelled the crisis brought about by overcapacity in the western world. At the same time, it also broke the original world pattern and changed the balance of power among countries. On the one hand, developed industrialized countries soon experienced overcapacity after the completion of the post-war industrial recovery in the 1960s, which was alleviated by outward transfer of low-end manufacturing. At the same time, thanks to the gradual disintegration of the world order formed in the colonial era, a large number of emerging nation-states born in the global anti-colonial movement carried the industries transferred by developed countries and provided cheap commodities for developed countries through international trade. Under the new international division of labor system, although developed countries still firmly occupy the high end of the value chain and gain higher profits, emerging countries also gain benefits and start their own industrialization process. On the other hand, under the background of "excess capital" in the country, developed countries use their own capital with high exchange rate and low interest rate to enter the developing countries with "scarce capital" and connect with the local domestic market with low exchange rate and high interest rate. In coordination with the privatization, marketization and liberalization policies of the "Washington Consensus", developed countries have defeated the domestic capital of some developing countries with weak government and insufficient national capacity, and have occupied most of the resources and profits in the industries with high returns and strong strategy, making their domestic capital accumulation slow, domestic market demand insufficient, and the industrialization process unsustainable.

In fact, since World War II, with the exception of a few countries and regions such as China, South Korea and Singapore that have completed industrialization, the industrialization attempts of countries in Latin America, Africa, Southeast Asia and Eastern Europe have all ended in failure. Eventually, these countries fall into the middle-income trap and fall into poverty again. This has led to a sharp increase in the gap between rich and poor in the world since the 1970s. By 2017, the average per capita GDP of the world's richest 10 countries is 260 times that of the world's poorest 10 countries.

# III. The Performance and Significance of the Chinese Achievement

Against the background that the industrialization process in developing countries is generally unsustainable, China has completed the industrialization process in 40 years, which was only completed in 250 years in western countries, thus realizing industrialization rapidly. Since 1978, it has achieved a rapid economic growth exceeding 9. 6% per year, becoming the world's second largest economy, with an economic scale 2. 5 times larger than that of Japan, which ranks third. This economic development achievement shocked the world and was called the "China Miracle".

#### 1. Performance of Chinese achievement

The Chinese miracle is a mystery to western economic theories, because the existing classical economics, neoclassical economics and new institutional economics cannot fully explain this phenomenon, so the rapid development of China is called "miracle" by western discourse. However, China's rapid development has brought about a great reversal in world history, and the world center of gravity that moved westward since the great geographical discovery has gradually returned to the east. This process has contributed China's strength to the healthy development of human civilization and has also shown China's experience to the development history of world industrial civilization. The achievements of the China are mainly shown in:

First, China's development miracle has made important contributions to world economic growth. Over the past 40 years of reform and opening up, China's economy has maintained a medium-to-high growth rate, with an average annual contribution rate of over 30% to the world's economic growth. China is the first engine of world economic growth. According to World Bank estimates, from 1981 to 2012, China's urban and rural poor population decreased by 790 million, accounting for 72% of the global poverty reduction. China is a major contributor to poverty reduction in the world. Through precise poverty reduction, China plans to completely eliminate the poverty population in China by 2020 and achieve full poverty reduction. In other words, China's development not only promotes the growth of the world economy, but also makes the world more fair.

Second, from the perspective of the development of an industrialized society, China's achievements are remarkable. At present, the global population is about 7.263 billion, and China's population is 1.405 billion, accounting for 19. 34% of the world's population. This means that China's industrialization contributes nearly 20% to the world's industrialization, more than doubling the total population of the world's industrialized countries and allowing nearly one third of the world's population to share the material civilization brought about by entering the industrialized society. The contribution of globalization to world industrialization is close to 20%, which has more than doubled the total population of the world's industrialized countries and enabled nearly one third of the world's population to share the material civilization brought about by entering the industrialized society.

Third, China's developed manufacturing industry provides the world with high quality and cheap industrial products. In 2016, China produced 808 million tons of steel (accounting for 49. 6% of the world's total), 2.41 billion tons of cement (accounting for over 57% of the world's total), and more than 28 million cars (accounting for 29. 5% of the world's total, ranking first in the world). Among more than 500 major industrial products in the world, China has more than 220 kinds of output, ranking first in the world, becoming a veritable world factory and manufacturing center. Such a huge industrial production capacity not only promotes the development of China's infrastructure construction, but also exports China's strong construction capacity to the outside world, making important contributions to the development and construction of the world market.

#### 2. Significance of China's Rise

First, China's rapid rise proves that manufacturing is the foundation of a powerful nation. Vaclav Smir has a understanding of the relationship between manufacturing and national prosperity. He believes that without a strong and innovative manufacturing system and the employment opportunities it creates, no advanced economy can prosper and develop. For any modern economy, manufacturing is a key component, and its importance is mainly manifested in its contribution to GDP. Because most of the major technological advances and innovations come from industrial practice and commercial drive, especially the actual operation experience and accumulation of the majority of workers in the daily manufacturing process. On the contrary, deindustrialization is the cause of the country's decline. Even if a country that has completed industrialization abandons manufacturing, it will gradually lose its technological advantages and innovation ability. Manufacturing industry itself is made up of many interrelated and interdependent elements. The development of manufacturing industry depends on many factors, which together affect the overall appearance of a country's political, economic, legal, educational, social and medical systems.

Second, China's development has provided other developing countries with a different path from that of the West. Wen Yi once wrote in his book The Great Industrial Revolution in China, "China has nearly 20% of the world's

population, but only 6% of the world's fresh water resources and 9% of the arable land, and the per capita arable land is less than one tenth of that of the United States. No country or region has ever realized industrialization and food self-sufficiency through reciprocal international trade under such challenges, instead of repeating the old path of colonialism, imperialism, slave trade and bloody wars of aggression against weak countries in those days of western industrial powers "[(Wen, 2016:13)). In less than 70 years, China has achieved a major historical reversal through peaceful development from "the world's low-income countries" to "the world's middle-income and high-income countries". The successful experience of China's industrialization can serve as an example for other developing countries that are still struggling in poverty and backwardness to learn and provide experience for other underdeveloped countries to start industrialization.

Third, China's development will prevent the world from falling into the Kindleberger Trap. Different from the western civilization accompanied by colonial plunder, China's peaceful rise focuses on the creation of effective markets at home and abroad. With the rise of China, China has assumed more and more responsibilities in global governance, maintaining the orderly operation of the world market in the economic field and actively expanding new space in the world market. In the financial sector, China has completed its transformation from a net capital importer to a net capital exporter. In 2014, China proposed to build an Asian Infrastructure Investment Bank to provide financial support to the Asian region and the world. In promoting global connectivity, China has put forward the "the belt and road initiative" initiative to promote infrastructure connectivity and strive to open up the world market. In the field of security, the Chinese army has actively responded to anti-piracy and anti-terrorism issues, contributing to regional and world security and stability. It is precisely because of China's active practice in global governance that the world has been able to avoid slipping into the Goldberg trap, effectively stabilizing the world market order and laying the foundation for the prosperity of the world economy.

Fourth, China's rise is of great significance in the development of economic theory. According to mainstream western economic theories, China will never rise under the current system, and even if there is a short-term growth, it will never be sustainable. However, China's great successful practice in the 40 years of rapid growth of reform and opening-up has broken through the western economic theory and the myth of the western modernization centrism. At the same time, it highlights the success of the contemporary socio-political economy with Chinese characteristics based on the spirit of pragmatism, a stable political system, the development experience of other countries and the successful experience of its own rise and great revival.But as the economist Zhang Wuchang said in the book China's Economic System, "I can write a thick book criticizing China in a week. However, under so many unfavorable difficulties, China's rapid growth lasted for so long, which never happened in history ... China must have done something very right to produce the economic miracle we saw. What is that? This is the really important question."

# IV. How to archive national development? State-building and industrial development

From the perspective of world history, the process of national industrialization is actually the process of national rise. However, a country's economic prosperity does not necessarily trigger the industrial revolution and enter the door of industrialization. In fact, Holland completed the first bourgeois revolution in human history, the Netherlands revolution, as early as the early 17th century, and established the Dutch Republic. Later, during the most prosperous period in Holland, it had scientists and excellent craftsmen fleeing religious persecution from all over Europe, as well as various resources plundered by colonization. However, even though there are many favorable conditions that conform to the development view of neoclassical and new institutional economics, the industrial revolution did not take place in Holland, but appeared in Britain nearly a century later. This is because, compared with the Netherlands, Britain at that time had a strong "state-building will" and implemented a mercantilist industrial policy in the country for a long time, continuously nurturing the domestic and international markets. For example, the "Printed Cotton Cloth Act" of 1721 prohibited the wearing of any imported dyed cotton fabrics. After the competitiveness of the domestic cotton textile

industry was strengthened, the Manchester Act of 1736 proposed to allow the manufacture, printing and dyeing of cotton textiles in the country. During this period, a series of acts could almost be regarded as a national industrial policy and system adjustment to encourage the local textile industry to upgrade and enter the cotton textile market.

In the case of successful industrialization in "latecomer" countries outside Europe, there is also government intervention everywhere, such as the United States and Japan. U.S. industrialization also depends on national policies. Alexander hamilton, the founding father of the United States, explicitly proposed in his Manufacturing Report (1792) an "American system" to develop and nurture manufacturing in his country. However, after the Meiji Restoration in Japan, under the pressure of national subjugation and extinction caused by the global plunder of western powers, the Meiji government mobilized all the surplus labor in Japan's rural areas except for maintaining food security to participate in the primary textile industry production system. At the same time, the government actively created conditions for international trade, infrastructure construction and commercial development. During the recovery process after World War II, the Japanese government adopted a series of targeted industrial policies to guide the country to rapidly reindustrialize from the scorched earth after the war. All these facts show that the state takes government intervention as a tangible hand and plays a huge role in the process of industrial development. In order to strengthen the role of the state (government) in the process of industrial development and eliminate possible problems (such as government failure, ideology, etc.), the importance of effective state-building must be stressed.

# V. The foundation of the country's sustained prosperity: State-building

## 1. The concept of state-building

The concept of state-building originated from political science research. The British Agency for International Development (DFID) point out in its 2008 report "National Development: Understanding state-building" that state-building is "a process by which a country strengthens its national capacity". There are also Chinese domestic scholars who define modern state-building as the continuous adjustment of the state machine to adapt to modern economic and social life in order to effectively achieve the national goals and enable itself to survive and develop when discussing the reform of the majority system and modern state-building.

From the perspective of political economics, the state-building behavior belongs to the movement of political superstructure, and the ultimate goal of political development is to serve economic development. This requires that the basic direction of political development should be consistent with the direction of economic development. Real political development will form a virtuous circle with economic development, in which politics and economy promote each other and advance together. This also means that an effective state-building is a process of continuously adapting to the requirements of economic development, perfecting the functions of the state, improving the governance capability, improving the control capability, and enhancing the ability to lead development and innovation. In such a state-building process, it is necessary not only to adapt to the new environment and new conditions, reform the old system that is not suitable for practice, and construct a new system that is suitable for new needs, but also to continuously strengthen and improve the country's governance capacity and improve the efficiency of the implementation of the system.

### 2. State-building Maintains National Competitive Advantage

State-building, as the process of building and constructing a nation's superstructure, its effectiveness is closely related to the rise and fall of a nation's national strength, and a more significant indicator reflecting the strength of a nation is the level of economic development. For a long time, less than 20% of the world's population lives in a few economically more developed countries, while 80% of the world's population lives in developing countries. Except for a few developing countries which have a relatively fast development rate, most countries are either trapped in a middle-income trap with long-term stagnation of economic growth, or have not yet started overall economic growth and are still in poverty and turmoil. In recent years, due to the spread of the global economic crisis, most western developed countries have also fallen into the dilemma of economic growth stagnation and domestic political turmoil. This article puts forward different views from the angle of state-building.

First, the governance crisis in western countries lies in the stagnation or even retrogression of state-building. The financial crisis in 2008 caused a great stir in the world and quickly evolved into a global economic crisis. Subsequently, its destructive power was no longer limited to the economic level, further triggering governance crises in western countries and causing social unrest. In the course of the development and spread of the crisis, it has highlighted the state governance capacity is not sufficient, the state governance is incompetent and the governance is not good. From the historical point of view of the development of western countries, the strength of state-building capability in different periods reflects the changing trend of the national strength of western countries. The early British actively explored and innovated the system. With its strong national capacity, it took the lead in completing the transformation of capitalist mode of production before other countries, and then started the industrial revolution. In other words, with its powerful state-building capability at that time, Britain took the lead in achieving a leap in national strength when its original accumulation lagged behind that of the other four countries. Similarly, after the Great Depression of 1929, "Keynesianism", which advocated government intervention, officially entered the historical stage. The economic thinking of state intervention greatly strengthened the state-building capability of capitalist countries in the laissez-faire period. Through this economic way, after World War II, western countries experienced a golden period of economic growth lasting more than 20 years. However, since the 1980s, the "neo-liberalism" thought that emerged in the western world has replaced Keynesianism in the economic field and spread to the political and ideological fields at the same time. Its ideas of opposing state intervention, advocating liberalization and deregulation have caused far greater harm to the state-building process in western countries than the laissez-faire thought before the Great Depression. The most direct manifestation is that the western countries' economy has been stagnant for a long time, the economy is going to virtualization, the gap between rich and poor is widening year by year, the domestic conflicts continue to intensify and the frequency of social problems is increasing. Since these problems have not been effectively solved for a long time, the western countries have exposed the problem of national governance crisis. The root of the problem is the retrogression of the state-building process caused by neo-liberal ideas.

Second, the income trap of middle-income countries lies in the fact that state-building has failed to establish itself on its own economic basis. Through comparison, it is not difficult to find out that the countries falling into the middle-income trap are highly coincident with the countries that accepted the "Washington Consensus" at the beginning. Their characteristics are that they have carried out foreign-style state-building at home, forcibly transplanting the European and American national systems on the basis of their own economies, resulting in serious mismatch. The mismatch between the external superstructure and the local economic foundation will have a negative impact on the economic development, especially when the contradiction between the two develops to a certain extent, this negative effect will make the economic development unable to continue. Unfortunately, the Western political and economic system transplanted from the "Washington Consensus" emphasizes privatization, marketization and liberalization, advocates restriction of government power and reduces market supervision. Under such a system and mechanism, the developing countries' own state-building capacity has been greatly weakened, and the government is weak and unable to push the domestic forces to carry out the system and mechanism reforms required by their own economic foundation. As a result, the contradiction between the foreign superstructure and their own economic foundation has never been eased, and economic growth has been stuck in a state of stagnation for a long time.

Third, the key to the inability of poor countries to develop their economies is the inappropriate level of institutional development. Poverty-stricken areas do not need to establish a country that manages everything, but they do need a strong and effective country. However, affected by mainstream economics, poor developing countries are all over the borders that restrict the government's ability, trying to hand over state affairs to the free market or civil society. Almost all underdeveloped countries have formed soft governments in their countries, but free markets and civil society cannot be formed spontaneously in such an environment. Because providing the market, the most basic public goods, and building social trust need to pay huge cooperation costs, which cannot be borne by either the spontaneous payment of domestic market participants or foreign enterprises. Only by relying on a strong government as the largest "public goods merchant" can we have the motivation and ability to pay this cost. However, developing countries, especially those that

follow the mainstream economic discourse, lack market makers for a long time due to weak, incompetent or anarchic governments, resulting in problems in economic development. It is still caused by the failure to carry out state-building according to its own economic foundation.

The main manifestation of China's rise is China's economic rise and overtaking, while the essence of economic overtaking is China's overall surpassing of western countries in national governance. Although in the modern history of China, the west has opened the door to China by relying on the strong ships and guns of industrialization, the failure in the modern history of China is not the failure of China as an agricultural country to an industrial country in terms of material production capacity, but the failure of China's national governance capacity since modern times. From a historical perspective, since Qin Shihuang unified China in 221 B.C. and replaced the feudal system with the county system, forming a centralized and unified pattern, China has gradually distanced itself from the western countries in terms of its national governance system and its administrative ability and is leading the world. The imperial examination system, which was introduced in Sui and Tang Dynasties, has also established a national management system of selecting talents and appointing talents, which has led China's economy to the western world for more than 1,000 years<sup>[]</sup>.

The long history, cultural tradition and experience of economic and social development have provided new China with a strong national power, an efficient hierarchy system and a national governance system of selecting talents and appointing talents. China has a unique set of state-building experience from the very beginning, and with the progress of society, a strong national governance system has been built on the basis of historical experience. As a result, the People's Republic of China quickly caught up with the trend of the times in less than 70 years after the founding of the People's Republic of China. It leapt over the industrialization achievements that the West took 250-300 years to complete and realized a great historical event that rose again from decline. This great historical event also made China the only country in the world that once rose again from glory to decline. In fact, the essence of China's economic catch-up is that after absorbing the traditional state-building wisdom, China surpasses western countries in terms of national governance capability.

## VI. Conclusion

State-building is a process of superstructure construction to ensure economic development. In order to carry out state-building effectively for a long time, it is necessary to continuously promote the modernization of national governance, and the essence of modernization is to promote the process of superstructure and economic foundation moving in the same direction. The aim of modernization is to bridge the contradiction between the economic foundation and superstructure caused by the production relations that are constantly produced and eliminated in the process of economic development. Therefore, the modernization of national governance is a long-standing requirement accompanied by the improvement of the country's economic development level.

Specifically, the modernization of national governance includes the modernization of national governance system and the modernization of national governance capability. The modernization of the national governance system aims to make adaptive changes in the government structure, government functions, cadre system, personnel system, management methods, power relations and other aspects according to the new situation and new characteristics of economic development in different periods, so that various systems and mechanisms can better serve the economic foundation rather than become factors hindering economic development. The modernization of national governance capability is to promote the steady progress of reform, safeguard national security and interests, deal with major emergencies, handle various complex international affairs and other aspects of the modernization of the ability, but also to enhance the ability to implement the system.

Not only does China need to treat the modernization of state governance as a long-term proposition of statebuilding, but for western countries in crisis of governance, the modernization of state governance is an important way to improve the ability of state governance. For countries caught in the middle-income trap, modernizing the national governance system and carrying out institutional reforms at home according to their own economic development conditions will also help them jump out of the trap of growth stagnation as soon as possible.

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