How Can Cultural Industrial Sustain Performance? The Role of Government, Entrepreneurial and Social Environmental Effects

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Abstract: When the new era of knowledge has came stealthily, economy development “restructure” emerged, that means some industries such as cultural have became the dominant forces with its have been solidly established to promote economic growth in the contemporary economic development agenda. At the same time, the innovative development model for industrial agglomeration has replaced the traditional mode of economy in the past. In this work we try to draw an interdisciplinary framework aimed to integrate a social cognitive approach with organizational research about cultural industrial clusters in order to investigate whether and how social environment may affect clusters’ dynamics. In particular, taking the case of national culture industry park in Qujiang of Xi’an from 2003 to 2012. This analysis is conducted based on selected variables that reflect the natural endowment, government contributions, enterprise performance of industrial agglomeration sector. Using the system dynamics to constitute innovation support system model on regional cultural industry cluster. We demonstrate that government planning policy practical features and potential influences on cultural industry sustainable development. Finally, the analysis yields a model with a tool to build “dynamic monitoring” mode instead of merely focus on the static target “blueprint” mode in an increasingly competitive culture industrial market.

Key Words: Cultural industries, industrial agglomeration, embedded, system dynamics

1. Introduction

This article first did an structural analysis of the economic indicators that affect the “embedded” cultural industry cluster system formed elements for cultural industry cluster innovation gains. Above all, in order to clarify the relationship between various factors which in the economic system, we use the interpretative structural model to get the hierarchical structure model derive from indicators of China’s economic system statistics. Secondly, based on the China’s industrial agglomeration system hierarchical structure model, specifically, for the purpose of the research as a basis, added or deleted on the above set of statistical indicators , establishing cultural industry cluster system dynamics causal loop diagrams, and according to it form a system dynamics model of the corresponding.

2. A Model of ISM

2.1 An Analysis of Factor

In this paper, we did a conditional search on EI and CNKI (which involve “industrial clusters”, “factors” from January 2011 to December 2012) and find there is 1295 topic literature. Further, derive from it we select 215 articles on “cultural industry clusters”. After screening, accounting for 43 papers engender deeply impact on culture industry cluster no matter native or abroad. Now, the major influences as follows.

2.1.1 Economic Geography Theory: Geographical and Cultural

The center-periphery model led by Krugman who emphasized the naturalness of industrial agglomeration, that is, enterprises and industries tend to focus on the specific location; moreover, different groups and different related activities tend to aggregate in different places. We believes that the emergence of cultural industry cluster should be prominent in cultural resource endowments, but also filled with the atmosphere of a place of cultural innovation. In our eyes, wealth enables the residents to be courteous, where owns the cultural market potential opportunities.

(1) Cultural Heritage

In the famous work titled “Culture Matters” (Samuel Huntington & Lawrence Harrison, 2002 [1]), we believe that regional culture and ideology related to each other, gradually formed in people’s daily life over past time. Maybe culture has a regional, inheritance, blending, so generally exists in the profound civilization birthplace. The ancient Mayan culture once brought Mediterranean civilization. Modern people need to understand the specific connotation of farming culture, the particular connotation of ancient folk culture, and the ancient village of artistic conception. Cultural heritage refers to a place of “cultural resource endowments”. And cultural heritage can be reflected regional cultural resource status. Cultural resources refers to the condensation of undifferentiated human labor as well as the outcome of the essence of thinking activity rich material and spiritual products or activities [2]. Formally, cultural resources can be divided into tangible material carrier (such as the characteristics of residential buildings, historical heritage sites, historical and cultural city town, folk crafts and even specialty clothing, etc.) and intangible spiritual resources (such as customs, ethnic festivals, arts dance, mythological, etc.) [3].
2.1.2 New Economic Geography Theory: Cultural Market
The introduction of new economic geography increased returns to scale and positive feedback effect, emphasizing for us the industry externalities (Henderson, 1974), contact between enterprises (Venables, 1996), transportation cost and demand (Krugman, 1991) play an important role in determining the location of the enterprise.

(1) Cultural Needs
Cultural market demand refers to a certain period of time, at each price level, consumers will be able to buy a product and the quantity of culture or cultural services.
First of all, the ability to buy depends on the level of income of local residents. According to the United Nations Food and Agriculture Organization standards, Engel coefficient less than 30% for most of the rich country, more than 59% for the poor country. Because the elastic concept to express Engel’s law is the food expenditure in a country’s income expenditure ratio decreases with the increase of the prosperity of the country.
Secondly, purchase intention depends on the inhabitants of the region culture. Keynes pointed out that the main economic hypothesis of absolute income, the absolute income level determines the level of consumption. Usually, the more higher people culture degree, the more intense of people to pursuit for all-round individual development. That means the demand for cultural commodity come from cultural industry enterprises is greater.
(2) Cultural Consumption
Recently, China urban households living standards has been improve rapidly, and the amount of money on spending entertainment increased also. Take for an example of Shaanxi. In 2012, urban residents per-capita family entertainment activities and services expenditures for 1123.04 yuan in Shaanxi, which rose 14.1% from 2011, per-capita consumption expenditure of urban households reach to 7.3%, increased 0.18% over last year.

2.1.3 Competition from the New Economic Theory: Opportunities and Expected
In the new competitive economics such as Porter’s “diamond model”, as one of the factors, “opportunity”, may be could answer “Why fundamental factors in the particular environment will to produce?”, “Generated in the process is arbitrary or there are still regional nature? ” such problems. Therefore, the paper attempts to use objective opportunity and subjective expectations as two factors which influence cluster formed.

2.1.4 Classical, Neo-Classical Economic Theory: Production
Whether classical school of economics such as Adam Smith and David Ricardo (who respectively stand for the absolute and relative comparative advantage theory) or Du, Weber’s agricultural location theory, all emphasizing the production supply; while the later economic development increasingly focused on demand, resulting in “the biggest market” school Liao Shen, “low market entry” Harris. Neo-classical school of economics Marshall emphasis on corporate agglomeration stems from a shared labor market, technology and industrial parks and other public infrastructure desire; domestic scholars put forward tacit knowledge and sticky knowledge is knowledge spillover localization (Liang Qi, 2004[6]), as well as the financial and technical externalities. This paper argues that cultural industry belongs to the tacit knowledge, more propagation characteristics within a certain range, but the characteristics of low marginal cost of the cultural industry, the high initial cost and limited its popularization, therefore tend to “cooperation” under the aggregate. According to the factors of development are as follows.

(1) human resources
(2) capital
(3) technology

2.1.5 Institutional Economics Theory: Contract Institutional
Incomplete contract theory (Williamson, 1985[7]; Grossman and Hart, 1986[8]; Hart and Moore, 1990[9]) pointed out that, due to the incompleteness of contract, special investment cannot write to the contract to the third party or not confirmed, the renegotiation process after the investment is facing “ripped off” (holdup) risk, which leads to the inefficiency of investment. Now that the contract system affect industrial agglomeration, effective intervention and government regulation can overcome the intrinsic problem of contract system? The externality of industrial agglomeration may lead to market failure, developing industry cluster how to deal with market failure?
Schmitz’s study found that industrial agglomeration, developing countries’ joint action, become the effective mechanism of industrial agglomeration leads to overcome market failure (Schmitz, 1999[10]). McCormick was found in Africa’s industrial agglomeration, imperfect system of national environment leads to the form of industrial cluster development to reduce transaction costs (McCormick, 1999[11]). Charles found, land ownership system and the credit system in India has a significant influence on the development of India textile industry cluster (Chari, 2000[12]). For developing industrial cluster “a more complete analysis, we must seek the institutional factors behind the agglomeration” (McCormick, 1999[11]). Further, Schultz put forward three principles of government functions (Schmitz, 1999[10]).
In promoting the development of industrial agglomeration process, the government should play what specific role? Studies suggest that the government should have the initiator, promoter, coordinator, managers four kinds role in our real social life (Morosini, 2002[13]). Summed up the policy aimed to development of industrial agglomeration (Altenburg & Meyer-Stamer, 1999[14]). After reading the literature, “contract system factor” is decomposed into the following points.

(1) Regional Cultural Industry Regulations and Policies
(2) Regional Cultural Industry Management Mode

In summary, the impact factor of cultural industry cluster include: regional culture, cultural market, opportunities and expected, production, contract system. In this paper, combined
with the characteristics of cultural industry and cluster competitiveness “diamond model” show that the culture industry agglomeration is a dynamic, two-way reinforcement system, which are indispensable factors for each other, jointly affect the “embedded” cultural industry clusters eventually formed.

2.2 Model of ISM

Cultural industry cluster effect sizes of various factors, and these factors differ between them, there are intricately linked. This article will use the ISM model can be analyzed from a complex chain of factors as well as factors to identify the cultural industry cluster formation factors directly affect the surface, middle and deep indirect factors affect which factors which contribute to make the right analysis. Specific steps:

Step 1

Determine impact factors of alternative cultural industry cluster model. Proposed in the literature by the cultural industry cluster mode selection factors were analyzed in duplicate merge again after removal of the remaining factors, summed up the cultural industry cluster ; gn; h alternative mode selection factors, the collection is expressed as:

\[ S = (s_1, s_2, \ldots, s_n, \ldots, s_p)^T. \]

The next problem is to select variables to establish reasonable and workable model. Variable selection need considered: Firstly, the meaning of the variable itself; Second, variable data accessibility; thirdly, variables into the model is significant post, relevance and sensitivity. Modeling process is actually a continuously variable filter, regression analysis, checking and inspection of the iterative process, the final objective is to obtain a relatively high degree of fit, in accordance with the accuracy required model studies. First, build a conceptual model as follows:

\[ s_{it} = \alpha + \beta_1 R_c - ad + \beta_2 Ag + \beta_3 P_o + \epsilon_{it} \]  

(1)

Here, the dependent variable \( s_{it} \) as a measure of cultural industry cluster variables, means “i” provinces and cities increase in the “t” year of cultural industry accounted for the proportion of the added value of cultural industry in China. Measurement methods of the enterprise growth are reviewed in this paper, 4 aspects as the enterprise growth markers such as enterprise asset growth, sales revenue increased, the larger number of employees and market share (Delmar & Davidson, 1998[15]; Weinzimmer, Nystrom & Freeman, 1998[16]). Regional-advantages (abbreviated as Re-ad) expressed as geographic rents ; Agglomeration (abbreviated as Ag) expressed as industry rents; Policy (abbreviated as Po) expressed as organization rent; represents the random error. Specific factors selection and variable selection as is shown in table 1.

This paper uses the panel data of 31 provincial unit (2003-2012), using EViews 6.0 as the economic analysis. Combined with the significant test of general linear equations (F test) as well as the results of Hausman test, considering the section of 2003-2012 time span is not very big, time effect in this performance was not obvious, so as not to violate the economic theory as the premise, this paper using the regression model of mixed ignored, ordinary least squares method using sample observation estimation of parameters estimation. The “packet into the law” are introduced the “geographic rent”, “industrial rent”, “organizational rent” three groups of variables regression, the model estimation results are shown in table 2.

The regression results according to table 2 and the description of the variables, we can get the following results: Firstly, (3) and (4) regression showed that the source of the enterprises in the park, the economic performance of domestic cultural industry mainly from the preferential policies to enterprises in the development zone rather than the traditional sense of regional agglomeration benefits, hypothesis 1 is supported by the data. Secondly, (2) and (4) regression show that the initial capital, the enterprise has significant effect on the enterprise output improvement; influence enterprise characteristics of enterprise output variable: one, enterprise technology innovation (i.e. Xiong Peter rent) and outputs are related and have significant impact, which shows the culture industry is innovation very strong industry, embodies the advantages of enterprises in cluster “knowledge spillovers”; also because the knowledge intensive characteristics of the cultural industry, intellectual property protection (i.e. Chamberlain rent) contribute to the output of enterprise; at the same time high-tech talent and positive influence on culture industry the largest enterprises, shows the culture industry is a new industry, many outstanding talents is skilled talents entrepreneurial elite after receiving a university education. To verify the hypothesis 2.

Finally, the cultural resources deeply effect cultural enterprise agglomeration gains, and geographical advantage is not obvious, which also confirmed the new economic geography theory, namely has the geographical advantage of the original circular cumulative causation will agglomeration economies in the region formed become no longer important (Bathe Harald, Gornostaeva, 2003[17]; 2004[18]). The hypothesis 3 has been preliminary demonstrated.

Overall, the econometric model past F test and hypotheses 1, 2, and preliminary proved the hypothesis 3. Although there are variations selected explanatory variables, however, the factors which led to “embedded” cultural industry cluster formation and development(such as resource endowments and other cultural industries agglomeration indicators, technological innovation factors, and government investment to enhance human resource factors, etc.) greatly affect the firm’s output. It is possible to gain better fitting degree on model (coefficient of determination is 0.2451, as is shown the regression calibration (4)).

According to above steps, the main factors of cultural industry cluster have been identified and marked as following: (1)Cultural industry cluster innovative returns \( S_1 \); (2)Geography rents \( S_2 \); (3)Industrial rent \( S_3 \); (4)Organization rent \( S_4 \); (5)Cultural resources endowment \( S_5 \); (6)Cultural innovation atmosphere \( S_6 \); (7)geographical advantage \( S_7 \) (including real estate finance function and economy function); (8)Cultural market demand \( S_8 \); (9)Cultural market consumption \( S_9 \); (10)Regional income level \( S_{10} \); (11)Inhabitants of the region culture background \( S_{11} \); (12)Historical development opportunity \( S_{12} \); (13)Psychological expectations \( S_{13} \); (14)Human resources \( S_{14} \); (15)Original capital \( S_{15} \); (16)Dynamic technological innovation capability \( S_{16} \); (17)Industry comparative advantage \( S_{17} \); (18)Market protection power \( S_{18} \); (19)Government fiscal expenditure \( S_{19} \); (20)Government infrastructure spending \( S_{20} \); (21)Government spending on higher education \( S_{21} \); (22)Government input to encourage innovation policy \( S_{22} \).

Step 2

Set up the explanation structure model of adjacency matrix.
### Table 1 Cultural industrial agglomeration factors variable selection

| Factors selected                  | Index design                                                                 | Symbol                  |
|----------------------------------|-----------------------------------------------------------------------------|-------------------------|
| **Geographic Rent**              | cultural resource endowments                                                 |                         |
| Geographic advantage             | The total business area accounts for the proportion of Posts and Communications | Convenience             |
| demand for cultural consumption  | Urban residents per capita consumption expenditure of culture and entertainment with the national average ratio | Demand                  |
| regional income levels           | Regional average income and national average income ratio ▲                  | Income                  |
| **Industrial Rent**              | human resources                                                             | HR                      |
| enterprises initial capital      | Cultural industry employment accounted for the proportion of social workers  |                        |
| Xiong Peter rents                | The patent application number proportion                                      | Innovation              |
| Richardson rent                  | The tertiary industry the total share of employment proportion 1                | Thr-Industry            |
| Chamberlain rent                 | Degree of intellectual property protection ▲                                 | Knowledge               |
| **Organizational Rent**          | government expenditure                                                       | Invest                  |
| **Independent Variable**         | cultural industry cluster                                                    | Cluster                 |

- **Represent soft targets; ▲ Expressed by the objective data calculated index;**
- **G Other unspecified labeled as the objective index**

### Table 2 Cultural industrial agglomeration factors variable text

| Variable       | (1)            | (2)            | (3)            | (4)            |
|----------------|----------------|----------------|----------------|----------------|
| C              | 0; D023***     | 0; D069622     | -0; D01001**   | -0; D068       |
| Resources      | 0; D003**      | (0; D9802)     | (0; D00484)    | (0; D887)      |
| Convenience    | 0; D0055**     | (0; D0073)     | 0; D000019***  | 0; D0024       |
| Demand         | 0; D0015       | (0; D0026)     | 0; D0032       | (0; D0033)     |
| Income         | -0; D0092      | (0; D002)      | -0; D00049     | (0; D0086)     |
| HR             | 1; D6242**     | (0; D0976)     | 0; D1632**     | 0; D647        |
| Profit         | 0; D34008*     | (0; D178)      | 1; D304*       | (0; D161)      |
| Innovation     | 0; D0017**     | (0; D0007)     | 0; D0008       | (0; D0018)     |
| Thr-industry   | 0; D812        | (0; D7302)     | 0; D887        | (0; D6604)     |
| Knowledge      | 0; D0132       | (0; D0157)     | 0; D073        | (0; D0142)     |
| Invest         | 1; D3929***    | (0; D236)      | 1; D467***     | (0; D2494)     |
| Ad.R^2         | 0; D021        | 0; D0767       | 0; D18012      | 0; D2451       |
| F              | 1; D832        | 3; D558***     | 34; D83***     | 6; D0014***    |

; A**; A*** respectively means coefficient is significant at 10%; 5%; 1%; level.

The standard deviation of the estimation results are shown in brackets.

Adjacency matrix (A) shows the basic binary relations between elements of the system or contact the circumstances phalanx. Expression system configuration according to the set (S, R) can be listed in the A matrix. Wherein, R represents a systematic relationship between various factors as the background, in a relationship between the various entities under the W (if there is a relationship W, “Yes” is 1, “No” is 0); expressed as an entity with collection system model, which means that each
element in the collection of entities.

**Step 3**

Determine reachability matrix of interpretative structural model. After adjacency matrix obtained, the next step is answer for (A+I), for some integer “n” do matrix (A+I) based on Boolean algebra exponentiation, can be called reachability matrix. After several iterations until established so far. Until after several iterations was founded. So the reachability matrix (M), is that between the system factors of any transfer of two yuan or directed between two graph node through a path of arbitrary long reaches of phalanx. In this paper, the adjacency matrix A Matlab mathematical implemented in software into the adjacent matrix calculation processing, the calculated transformation matrix after 5 times a reachability matrix M.

**Step 4**

Level distribution of each element. Right up to the matrix in accordance with the number of elements in each row ascending order, based on the sort order, resize rows and columns. Remove the matrix has a strong connection between the factors (S2, S3, S4, LandS6; S10 andS11; S20, S21, S22 andS19), to obtain the reduced matrix. Will be reduced from the upper left to the lower right corner of the matrix, followed by decomposition of the maximum order of the matrix M1 (Figure 1).

**Step 5**

Drawing system hierarchical graph. As can be seen from the matrix M1, cultural industry cluster factors are divided into three levels.

- First layer: S1, S2, S3, S4;
- Second layer: S7, S8, S9, S12, S13, S14, S15, S16, S17, S18, S19;
- Third layer: S10, S11, S20, S21, S22.

Hierarchy available system hierarchical graph representation. System Hierarchical structure of the importance of factors figure hierarchical order descending order from top to bottom. Cultural industry cluster formed by geography rent, industrial rent, organizational rent. Geographic rent depends on natural resources, traffic location, income and consumption levels; industrial rent depends on capital, technology and human resources; organizational rent depends on government spending and so on. In the cultural industry gathering process, the various factors affecting the formation of a complex relationship. Because of these factors are difficult to quantify, or factors alone but also on other economic indicators, the system hierarchical graph only shows the evolution path. However, through the system hierarchical graph, we can see the cultural industry cluster is a feedback path with multiple cross-system problems, the need to introduce such a system dynamics simulation of dynamic complex systems modeling approach to in-depth study.

### 3. Cause and Effect Model

Based on the existing factors of additions and amendments to build a feedback mechanism with "embedded" cultural industry cluster system dynamics model. System dynamics model of cultural industry cluster based on the following conditions:

1. Cultural Industry Cluster systems are characterized by the industrial evolution as a function of time under the conditions of continuous.
2. Government policy has coherence.
3. Gathering phase inputs include labor (l), capital (k), technical level (A).

The economic data into the model, through computer simulation techniques to simulate the cultural industry cluster development trend of the future park. Using system dynamics modeling, first determine the system boundary. Constructed in this paper focuses on system dynamics model of government in the evolution of industrial clusters in the “text” and its agglomeration effect, so that the model of government revenue, and the degree of clustering of talent attracted government support to build the infrastructure for a cluster effect etc. included within the system, both inside and outside the system allows substances, energy exchange. On this basis, draw causal Figure 2 below.

Studies have found that there are the following main path:

1. Geographic rent stream: cultural resource endowments $\rightarrow$ regional income levels $+$ geographic advantage $+$ landscape real estate development needs $\rightarrow$ government spending in infrastructure investments $\rightarrow$ ecological landscape real estate development $\rightarrow$ land prices $\rightarrow$ land supply $\rightarrow$ environmental livability $+$ infrastructure sophistication $\rightarrow$ regional talent attraction $\rightarrow$ total number of regional talents $\rightarrow$ number of enterprise technicians $+$ research agency personnel $\rightarrow$ enterprise R & D results $\rightarrow$ number of patent applications $\rightarrow$ enterprise patent transformation capabilities $\rightarrow$ technical market results $\rightarrow$ cultural industry cluster gains $\rightarrow$ regional GDP $\rightarrow$ regional income levels $\rightarrow$ cultural resource endowments

However, this is just one of the main positive feedback loop. There are various elements of a complex relationship between:

1. The talent itself is due to the agglomeration effects of growth, but also because of emigration congestion effect;
2. Personnel by the objective material conditions improved suction, timely compensation [depends on labor costs, according to Marx, the labor cost depends on three aspects, “price and range of primary necessities of natural and historical development of educational fees, workers, women’s labor and child labor, labor productivity, extensive quantity and content of” labor cost, namely, workers living families of workers and maintain cost, future generations of continuing education expenses;
3. The employment needs of cultural industry (labor) insufficient also will move from the stimulation of industry, industrial land growth or decay;
4. The industry itself will increase, because the existence of the life cycle will decay or out of;
5. The cultural industrial land growth is determined by the demand and the supply of land planned double aspect, the land supply plan is based on the total land constraints and Land Stock.

2. Industrial rents flow: cultural industry agglomeration benefits $\rightarrow$ corporate pre-tax profit $+$ burden of tax $\rightarrow$ corporate profits/fiscal revenue $\rightarrow$ enterprise internal science and technology funds $+$ enterprise external technology funding $\rightarrow$ enterprise business technology funds $\rightarrow$ enterprise R & D capability $\rightarrow$ number of patent applications outcomes $\rightarrow$ enterprise transformation capabilities $\rightarrow$ technical market outcomes $\rightarrow$ cultural industry agglomeration benefits

3. Organizational rent stream: organizational rent $\rightarrow$ monetary policy $+$ fiscal policy $\rightarrow$ financial intermediary risk capital $+$ government investment in R & D $\rightarrow$ scientific research
institutions of university research funding/ + research institutions funding→ + research outcomes→ + number of patent applications→ + business transformation capabilities→ + technical market outcomes→ + cultural industry agglomeration benefits→ + regional GDP → + organizational rent

4. Conclusion
According to the recent Chinese cultural industry practice situation, China’s Cultural Industry Investment institutional change overall trend is guided through the government regulatory system to regulate industrial investment overall national cultural
industry investment behavior. As the Williamson specific investment constraint (Williamson, 1985 [19]), enterprises can maintain long-term agglomeration for the cost is too high in the development zone; Chinese local government commitment usually confidence based on repeated game and long-term employment and GDP income constraint mechanism, that is, our government also has the exit barriers. Qujiang Cultural Industry cluster formation established between government and enterprises infinitely repeated game situation, coupled with the government’s policy of preferential commitments still confidence in a given period, the development zone enterprises with non-development zone enterprises are no economies of scale advantages. Thus constructed and formatted cultural industries incentive-compatible incubator sustainable growth model. Our research shows that the contract environment (including system implementation efficiency) improve is an important prerequisite. This conclusion means: contract system implementation and high efficiency area to attract investment, or cultural industry location choice is affected by the implementation of the contract system efficiency, the cultural industry park will focus on the implementation of the contract system of high efficiency distribution area.

Acknowledgments

The result is the Shaanxi province social science fund project “Silk Road Culture Heritage Network Construction” (13SC006), Xi’an social science fund project “Silk Road Guan-Tian Economic Zone of Cultural Industry Cluster Sustainable Development Research” (14J57), and Shaanxi Academy of Social Sciences fund project “Shaanxi Culture and Trade Agglomeration Development Studies about cultural distance on Silk Road” (14ZD07).

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