

**INNOVATION AND RESEARCH FUNDING IN THE TRANSITION ECONOMY OF RUSSIA**

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**ABSTRACT**

This study discusses the performance of the Russian economy in innovation and research during the period of transition from the centrally planned to the market-based economic system. Innovation plays a critical role in economic growth. One of the major factors that contributed to the collapse of the centrally planned economy of the Soviet Union was the failure of innovation that led to a slowdown of growth compared to its Western rivals. Transition to a market economy was expected to improve the economic efficiency in Russia and other post-Soviet states. This study explores the empirical evidence on the performance of science and technology research in Russia. As a theoretical basis, a model of hierarchy and polyarchy decision-making is applied to the comparison of the centralized and the market-based innovation funding models. Implications for innovation and research funding policy are discussed.

Keywords: *Innovation, Economies in Transition, Russia, Research Funding, Hierarchy*