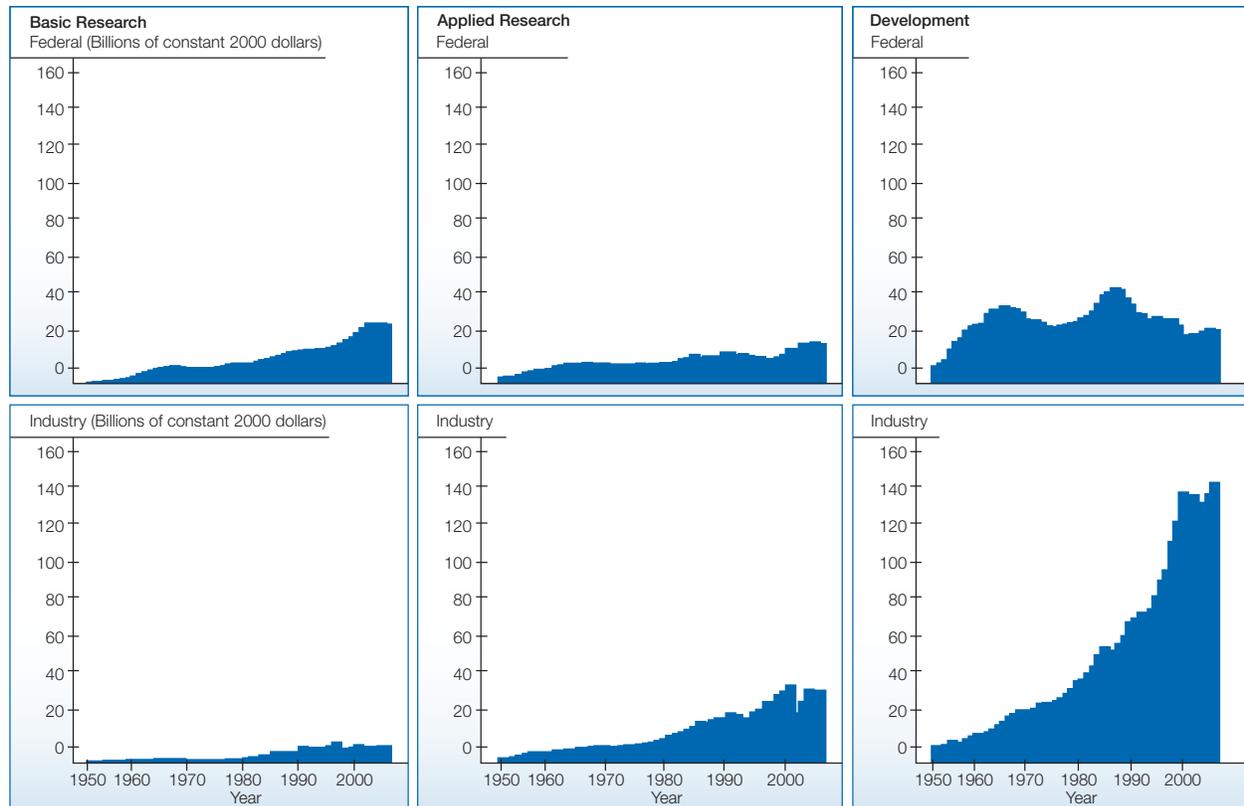


The federal government funds the majority of basic research in the United States, while industry funds the majority of development.

Figure 3. R&D investment patterns by the federal government and industry for basic and applied research and development: 1950-2006



SOURCE: Appendix Tables 4-10, 4-14, and 4-16, *Science and Engineering Indicators 2008*, National Science Foundation.

Why is this indicator important?

- The outcomes and benefits of R&D investments depend not only on the amount of funding but also on the sources of support and the type of R&D those sources support.

Key Observations

- Industry funds about 83% of development, while the federal government funds about 16%.
- The federal government funds about 59% of basic research, while industry funds 17% (*SEI 2008* Appendix Table 4-10).

Related Discussion

- Industry surpassed the federal government as the largest source of R&D funding overall in 1980.
- Following an economic slowdown in the United States in 2001 and 2002, the business activities of many R&D-performing firms were curtailed.
- The federal share of R&D funding first fell below 50% in 1979 and dropped to a low of 25% in 2000. Reflecting increased research spending on health, defense and counterterrorism, the federal share of R&D funding is projected at 28% of the R&D funding total in 2006.