

OC process. Then, in 1962, a series of apparently interrelated events occurred: ²

Steelmaking capacity outside the United States exceeded steel demand outside the United States for the first time since the war.

Japanese production of oxygen steel greatly exceeded that of the United States (9.3 vs. 6.5 million tons, respectively).

Apparently as a result of the pressure of imports of steel on the west coast of the United States, Kaiser Steel Company (one of the early United States oxygen steelmakers) cut the price of west coast steel by \$12 a ton, removing the traditional west coast differential in steel price.

"Workable" OH plants of 3 million tons capacity, including Bethlehem's San Francisco plant, were shut down in the United States, the first such actions in the postwar period.

Data on the operation of the 200-ton LD converters with which Jones & Laughlin had directly *replaced* 175-ton OH furnaces—the first such action by a United States producer—was just becoming available (the converters had begun operation in September 1961).³

The federal government passed the amendment to the internal revenue code, "the investment credit" act designed to stimulate investment.

The U.S. Steel Corporation announced plans for the construction of its first basic oxygen steelmaking facility.

The rate of introduction of oxygen capacity in the United States having been comparatively slow in the early 1960's, greatly accelerated.

In 1962 it appeared that the costs to United States producers for *not* innovating were significantly raised by actual and threatened competition from both domestic and foreign oxygen steelmakers. At the same time the cost of making the innovation had been significantly lowered by the perfecting of the process and the scaling-up of feasible converter size, scrap-using capability, range of product output, and by new tax regulations.

These data are consistent with the statement that United States steelmakers were influenced by foreign competition in their decision to introduce new oxygen steel capacity. However, they are also consistent with *rational economic decisionmaking* on the part of United States producers.

Mr. Muller's conclusions reinforce those above:

2. Madsen, Jan. 1963, pp. 138-42.

3. This action is consistent with our suggestions about the significance of batch size for the replacement decision.