OC producer, shows that its market and financial positions were excellent: General Motors, which is hard to dismiss either in absolute *or* relative terms, had given the firm its backing through long-term contracts for steel products and financial support, first through loans, then through stock ownership.[5] Kaiser, as the first integrated steel plant on the west coast and as a member of the Kaiser Industries group possessed both power in its market and significant financial resources. (It was a sufficient force on the west coast to lead the $12 price decline there in 1962.)

Had Schumpeter stated the hypothesis:

> The three largest firms in an oligopoly industry will be the technological innovators in that industry, ...

this hypothesis would have been refuted by Adams and Dirlam's presentation in the case of the United States. But this was not Schumpeter's statement.

What has been illustrated in this single case is that in the oligopolistic steel industry of the United States — characterized by price stability (and even upward movement) despite slack demand —there appears to be sufficient incentive for firms with "sufficient" resources (several integrated producers appear to have reached this threshold) to innovate. Several firms with similar incentives appear to have awaited further development of OC steelmaking before they have acted, a strategy which cannot be condemned out of hand. Once technological problems were overcome (sufficiently) the United States industry as a whole appears to have moved to implement the OC process.

For 1966 the Kaiser Engineers reported United States LD capacity to be 38,015,000 tons, or 28 per cent of the world's capacity of 136,755,000 tons at year end. During 1966 the increase in United States LD capacity was 47 per cent as compared with 34 per cent for the world as a whole. This year the United States industry regained its lead in installed LD capacity. A total of 24 per cent of ingots produced were of LD steel (this excludes the Kaldo output of Sharon steel) as compared with 17 per cent in 1965.[6]

Cornell University

5. *Prospectus, op. cit.*, p. 8. As of 1955 General Motors owned 92.6 per cent of McLouth's cumulative participating (voting) preferred stock and, among other things had the option to purchase up to 92.6 per cent of McLouth's cold rolled carbon sheet.

6. Stone, *op. cit.*, p. 93.