

The firm's output, x

The firm's
isoprofit curves
 $\pi_3' > \pi_2' > \pi_1'$

The firm's
best-response
function

$x = \bar{x}$
The firm's output
equals average output
of other firms

$x^N = 6$

$x^* = 4$

$\pi_3' \pi_2' \pi_1'$

Isoprofit vertical
at intersection
with best response

$\bar{x}^* = 4$

$\bar{x}^N = 6$

Average output of other firms, \bar{x}

