

The firm's output,  $x$

$x = 18$

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

The firm's  
best-response  
function

$x^N = 6$

$\pi_3' \pi_2' \pi_1'$

$n'$

$i'$

$h'$

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

Best response is  
where isoprofit  
is vertical

$\bar{x}^N = 6$

$x = 9$

Average output of other firms,  $\bar{x}$

