

The firm's output,  $x$

$x = 18$

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

The firm's  
best-response  
function

$x^N = 6$

$x^* = 4$

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

Isoprofit vertical at  
the best response

$\bar{x}^* = 4$

$\bar{x}^N = 6$

$x = 9$

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

