

Typical firm's output, x

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

Typical firm's
best-response
function

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

$x^N = 6$

$x^* = 4$

$\bar{x}^* = 4$ $\bar{x}^N = 6$

Average output of other firms, \bar{x}

