

First, observe that market demand is:

$$p(Q) = a - b \sum_{i=1}^{i=N} q_i$$

where

$$Q = \sum_{i=1}^{i=N} q_i$$

Each firm  $i$  has therefore the following profit function:

$$\begin{aligned} \Pi_i &= p(Q)q_i - c_i q_i \\ &= \left( a - b \sum_{i=1}^{i=N} q_i \right) q_i - c_i q_i \\ &= (a - c_i) q_i - b q_i \sum_{i=1}^{i=N} q_i \\ &= (a - c_i) q_i - b q_i \left( q_i + \sum_{j=1, j \neq i}^{j=N} q_j \right) \end{aligned}$$

since

$$Q = \sum_{i=1}^{i=N} q_i = q_i + \sum_{j=1, j \neq i}^{j=N} q_j$$

For example, if  $i = 1$  then

$$\sum_{i=1}^{i=N} q_i = q_1 + \sum_{j=2}^{j=N} q_j$$

Thus, finally, the profit of firm  $i$  is given by:

$$\Pi_i = (a - c_i) q_i - b q_i^2 - b q_i \sum_{j=1, j \neq i}^{j=N} q_j$$

As a result, each firm  $i$  solves the following program:

$$\max_{q_i} \left[ \Pi_i = (a - c_i) q_i - b q_i^2 - b q_i \sum_{j=1, j \neq i}^{j=N} q_j \right]$$

The first-order condition for each firm is:

$$a - c_i - 2b q_i - b \sum_{j=1, j \neq i}^{j=N} q_j = 0$$

which is equivalent to:

$$\begin{aligned} a - c_i - bq_i - bq_i - b \sum_{j=1, j \neq i}^{j=N} q_j &= 0 \\ \Leftrightarrow a - c_i - bq_i - b \left( q_i + \sum_{j=1, j \neq i}^{j=N} q_j \right) &= 0 \\ \Leftrightarrow a - c_i - bq_i - bQ &= 0 \\ \Leftrightarrow q_i &= \frac{a - c_i}{b} - Q \end{aligned}$$