

### Example 5: The arms race

Assume that each country can build an arsenal of nuclear bombs, or can refrain from doing so (as it may be costly). Assume also that each country's favourite outcome is that it has bombs and the other country does not; the next best outcome is that neither country has bombs; the next is that both countries have bombs (what matters is relative strength, and bombs are costly to build); the worst outcome is that only the other country has bombs.

A country may prefer not to build bombs if the other country does not (costly).

<del>your country</del> \ other country	don't build bombs	Build bombs
Don't build bombs	3, 3	0, 2
Build bombs	2, 0	1, 1