

Step by step guide on how to find a Nash Equilibrium or Equilibria

Step 1. Look at the payoff matrix and figure out whose payoff's are whose:

		Player B	
		Cooperate	Not Cooperate
Player A	Cooperate	1500 (A) 2000 (B)	50 (A) 4000 (B)
	Not Cooperate	2000 (A) 100 (B)	60 (A) 101 (B)

Step 2. Figure out Player A's best response to all of player B's actions

		Player B	
		Cooperate	Not Cooperate
Player A	Cooperate	1500 2000	50 4000
	Not Cooperate	2000 100	60 101

Since $2000 > 1500$ and since $60 > 50$

Step 3. Figure out Player B's best response to all of player A's actions

		Player B	
		Cooperate	Not Cooperate
Player A	Cooperate	1500, 2000	50, 4000
	Not Cooperate	2000, 100	60, 101

Since $4000 > 2000$ and since $101 > 100$

Step 4. A Nash equilibrium exists where Player B's best response is the same as Player A's best response

		Player B	
		Cooperate	Not Cooperate
Player A	Cooperate	1500, 2000	50, 4000
	Not Cooperate	2000, 100	60, 101

Find the Nash equilibrium or Nash equilibria

Example 1

		Player B	
		Cooperate	Not Cooperate
Player A	Cooperate	2500 6000	50 4000
	Not Cooperate	2000 100	60 101

Example 2

		Player B	
		Cooperate	Not Cooperate
Player A	Cooperate	1500 2000	50 4000
	Not Cooperate	2000 105	60 101