




If country A  
cooperates

If country B  
cooperates



A gets:

\$960

B gets:

\$960

If country B  
cheats



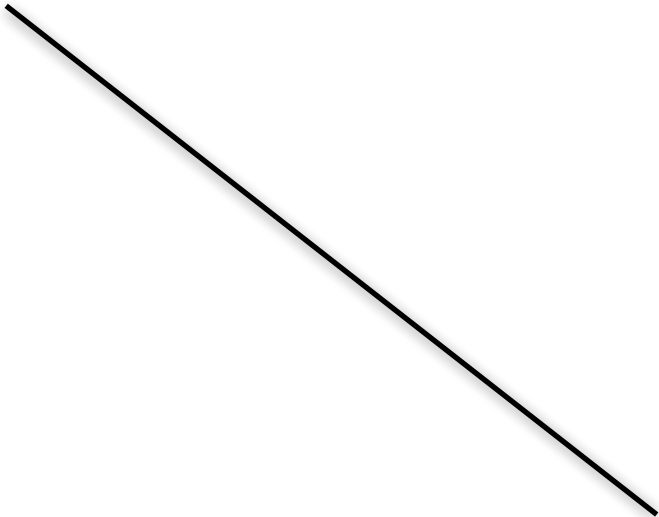
If country A  
cheats

A gets:

\$840

B gets:

\$840



A gets:

\$1,260

B gets:

\$720



A gets:

\$720



B gets:

\$1,260



If country A  
cooperates

If country B  
cooperates

If country A  
cheats

What should country A do if B cheats?



W















9



















S























6









W













9























**V**



B



S





V







U



















a



S















S





4













**V**





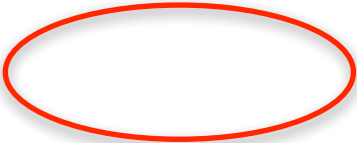
U





If A cooperates, it gets \$720 in revenue









U









**V**





S

**b**



S





S





2





g



**V**





B







a





S



S











2



Let's find the best strategy for Country **A**

Country **A** only cares for its own revenue



Best:  
cheat





U









**Y**





S

**b**





S



S





2







g

**Y**







2









S

S





W





2







U









**Y**

B







S



S













2









Dominant  
Strategy:  
cheat!

We then ignore  
this side of the  
matrix

We then ignore  
Country B's  
revenues

If A cheats, it gets \$840 in revenue

Country **A**'s best strategy if **B**  
**cheats** is to **cheat**

Country **A**'s best strategy  
regardless of what country **B** does  
is to **cheat**!

Let's find the best strategy for Country A

What should country A do if B cheats?  
Country A only cares for its own revenue

We then ignore this side of the matrix      We then ignore Country B's revenues

Country A's best strategy regardless of what country B does is to cheat!

If A cooperates, it gets \$720 in revenue  
If A cheats, it gets \$840 in revenue

		If country B cheats
If country A cooperates		A gets: \$720
If country A cheats		Best: cheat A gets: \$840

Dominant Strategy: cheat!

Best: cheat

Let's find the best strategy for Country B

	If country B cooperates	If country B cheats
If country A cooperates	<div>A gets: \$960</div> <div>B gets: \$960</div>	<div>A gets: \$720</div> <div>B gets: \$1,260</div>
If country A cheats	<div>A gets: \$1,260</div> <div>B gets: \$720</div>	<div>A gets: \$840</div> <div>B gets: \$840</div>