



# Revenues


If country A  
cooperates

If country B  
cooperates



A gets:

\$960

B gets:

\$960

If country B  
cheats



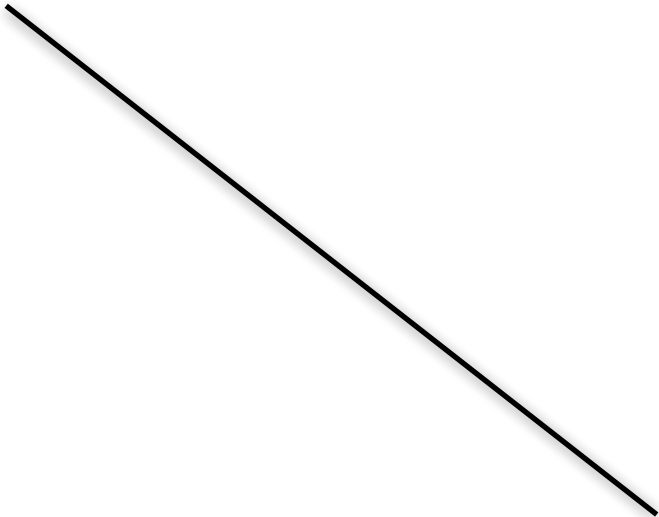
If country A  
cheats

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




Dominant  
Strategy for  
A: cheat!

If both countries follow their self interest

Both countries will cheat the agreement



Both countries will be worse off: they  
will each make \$840 in revenue



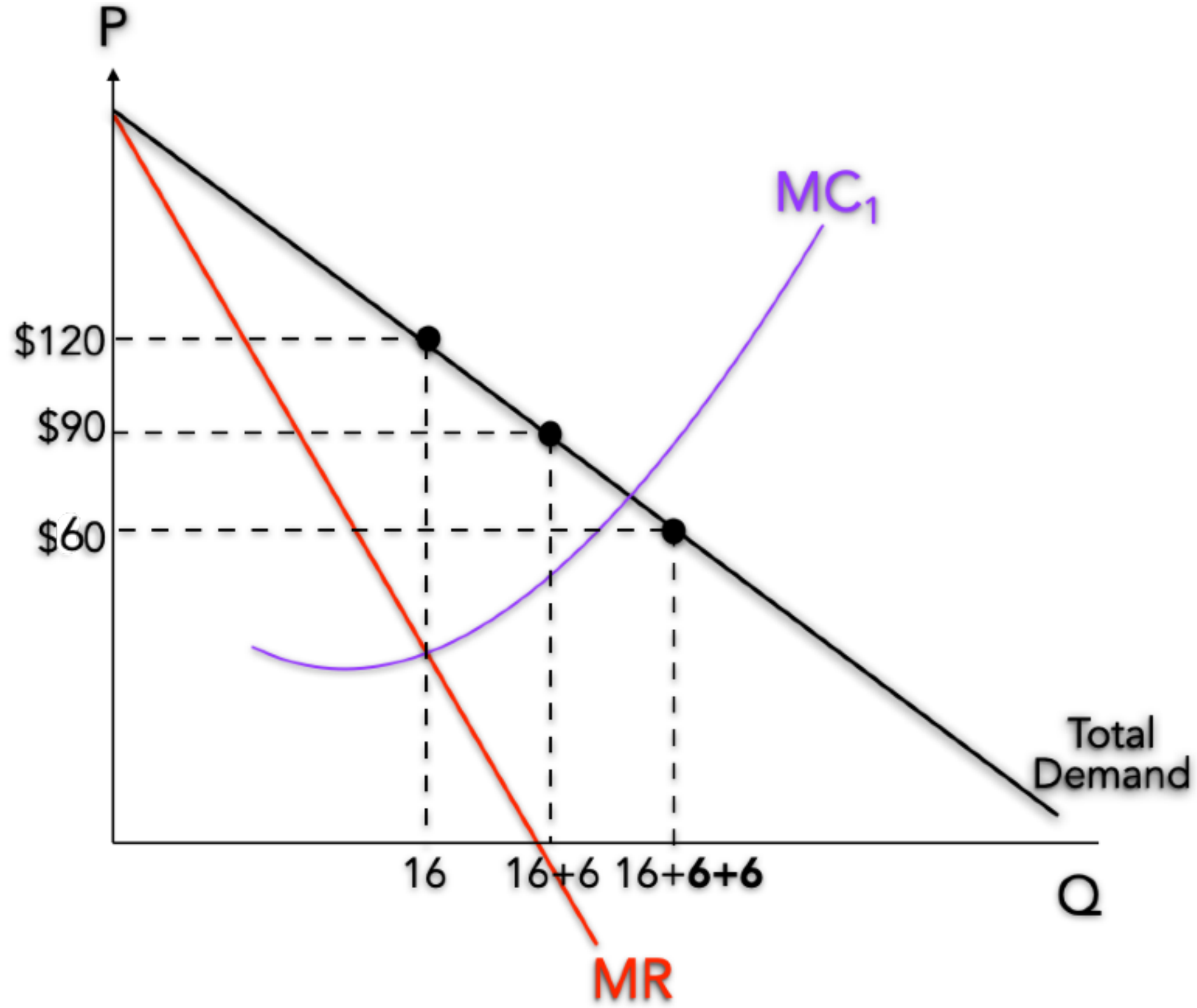
Less than what  
they would have  
made  
cooperating!












A yellow speech bubble with a tail pointing to the left. Inside the bubble is black text.

Both countries  
cheat: produce  
28m barrels;  
price \$60





Dominant  
Strategy for  
B: cheat!



Both countries  
cooperate:  
produce 16m  
barrels; price \$120

Consumers are better off when  
companies do not or not allowed to  
collude

If both countries follow their own self interest

Consumers are **better off** when companies do not or not allowed to collude

Revenues

	If country B cooperates	If country B cheats
If country A cooperates	<div style="border: 2px solid magenta; padding: 5px;">                     A gets: \$960                      B gets: \$960                 </div>	
If country A cheats		<div style="border: 2px solid magenta; padding: 5px;">                     A gets: \$840                      B gets: \$840                 </div>

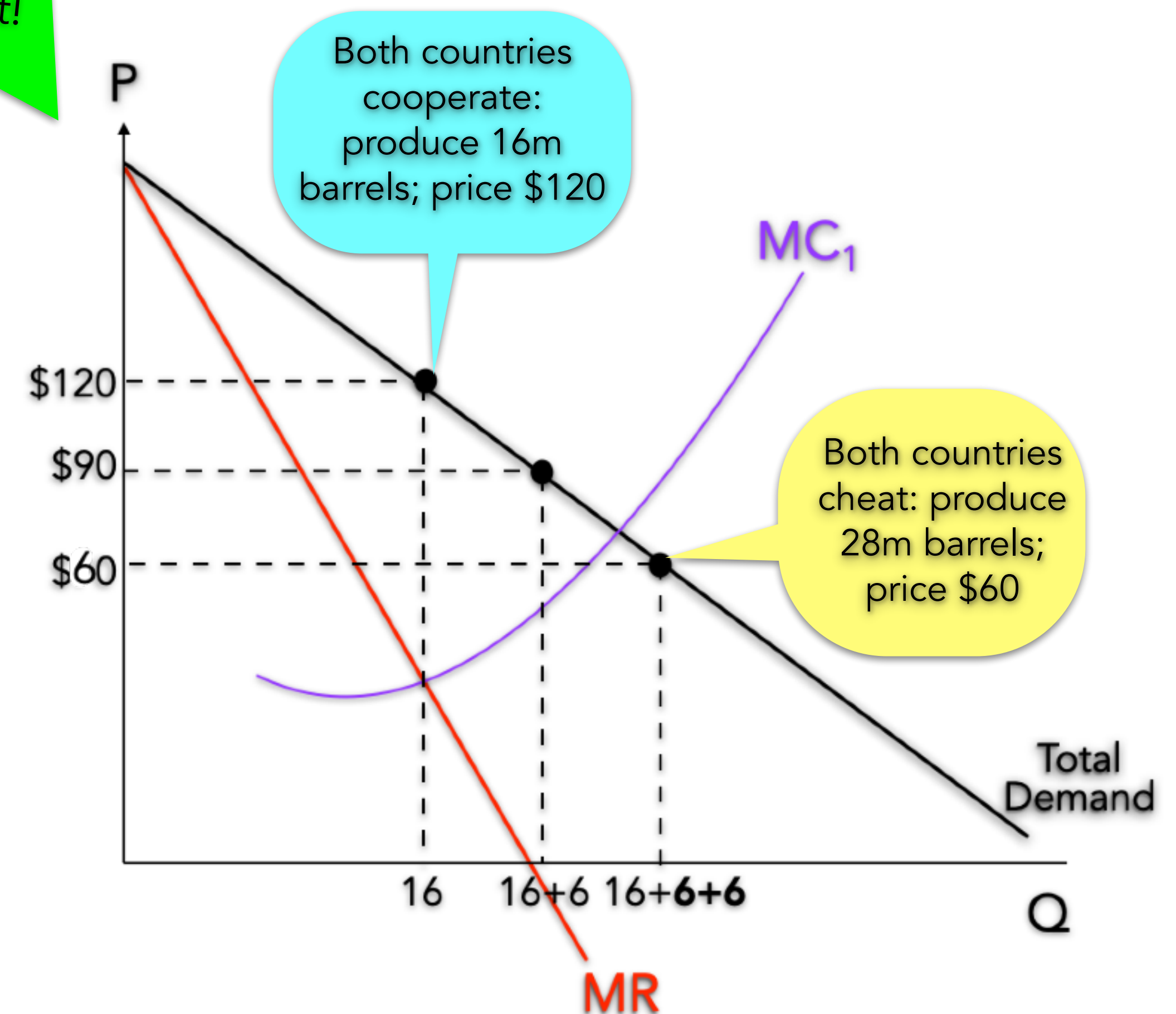
Less than what they would have made cooperating!

Dominant Strategy for B: cheat!

Dominant Strategy for A: cheat!

Both countries will **cheat** the agreement

Both countries will be **worse off**: they will each make **\$840** in revenue



# Games Without a Dominant Strategy

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>