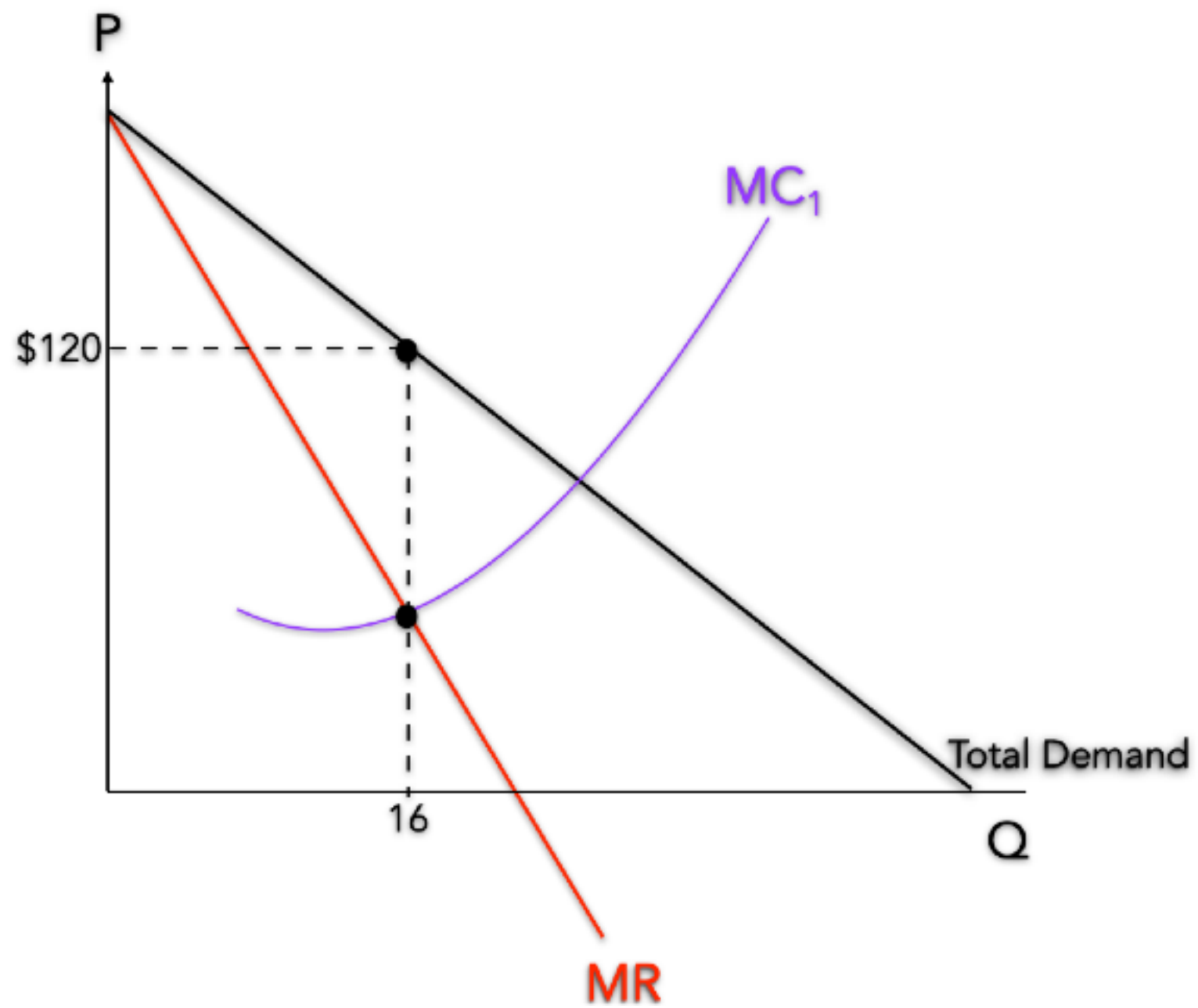


Revenues



To cooperate or not to cooperate?



W







U



















U







Y



3









U







V

B











U



















V

2

g























6

























2







U

2





V

2





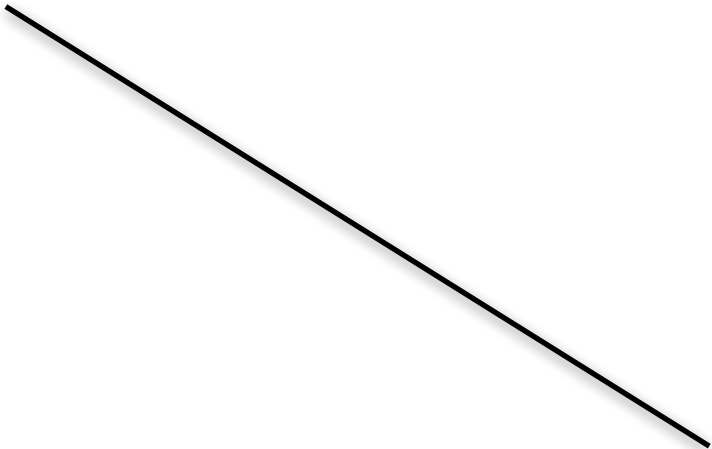






If country A
cooperates

If country B
cooperates



A gets:

\$960

B gets:

\$960

If country B
cheats

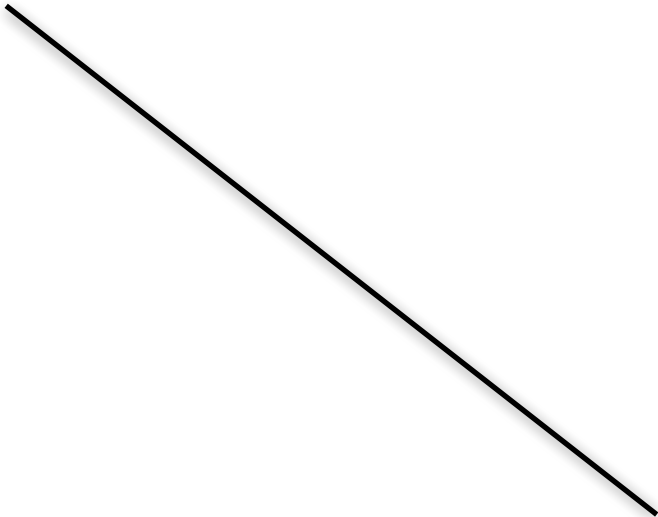
If country A
cheats

A gets:

\$840

B gets:

\$840

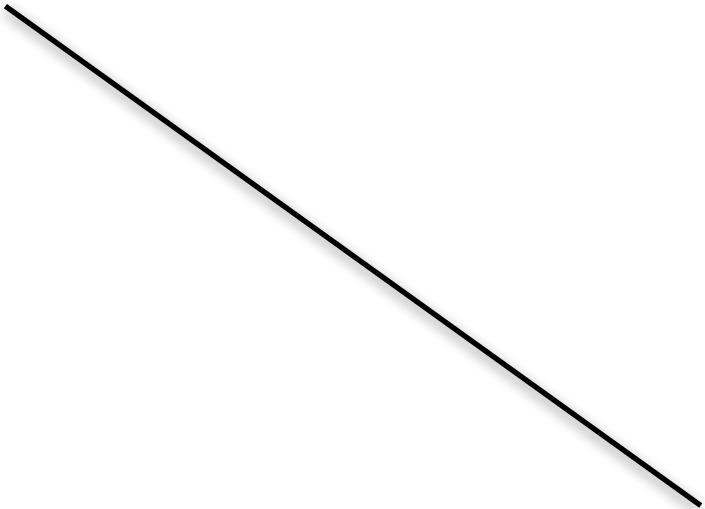


A gets:

\$1,260

B gets:

\$720

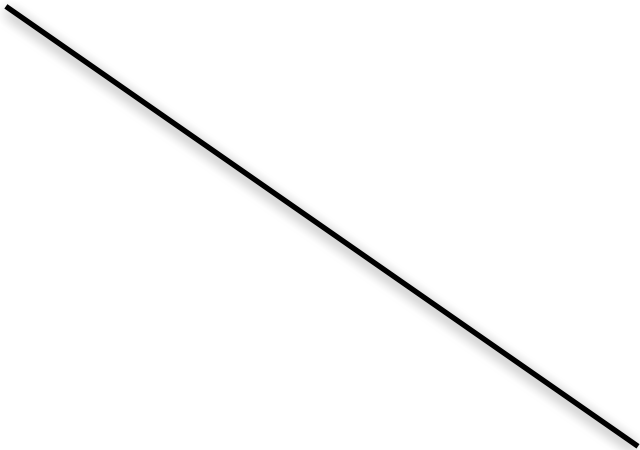


A gets:

\$720

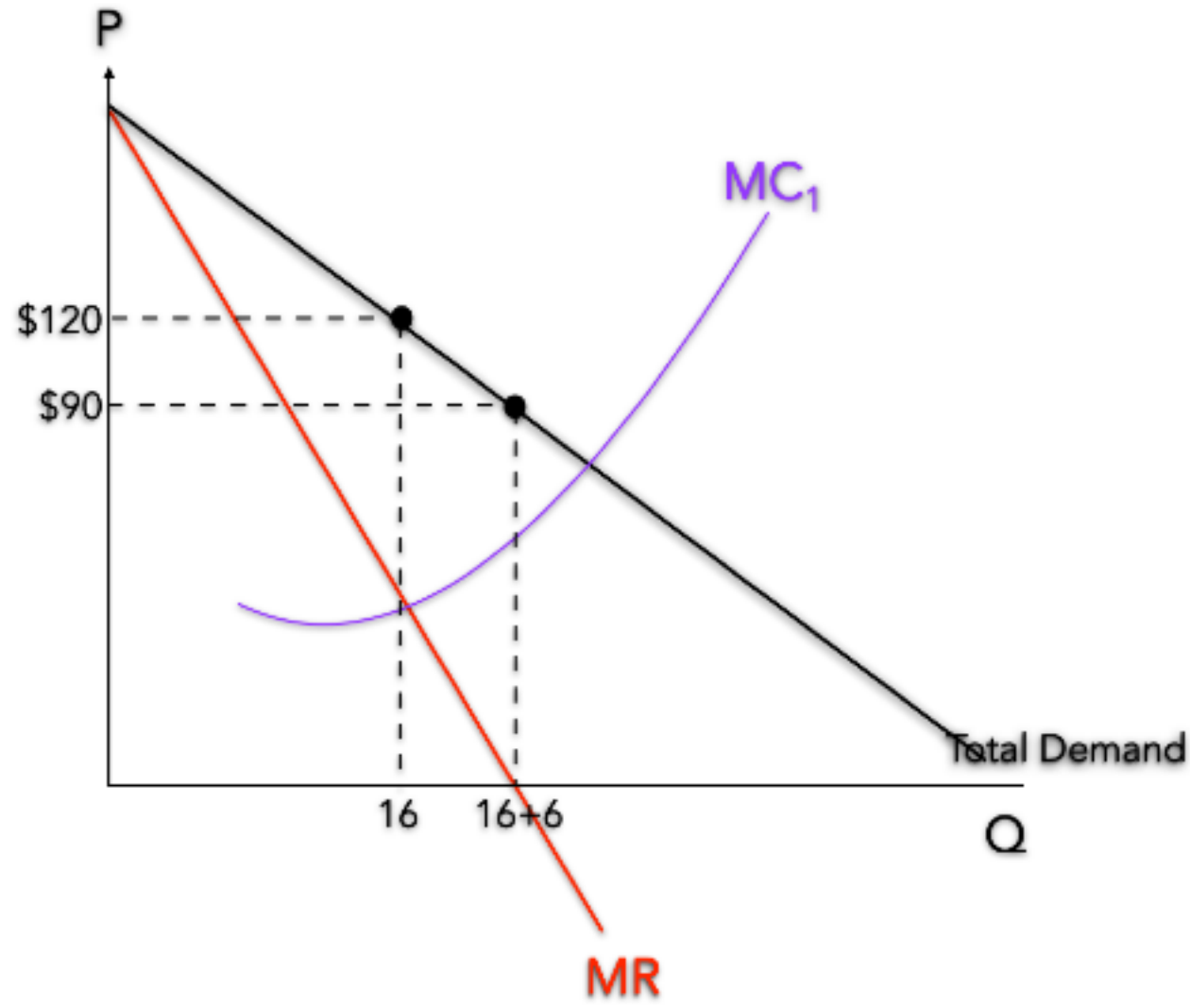
B gets:


\$1,260



$$\begin{aligned}\text{Total Revenue} \\ &= 120 \times 16 \\ &= \$1,920\end{aligned}$$

Each country
gets half: \$960





Each country
produce half
(8million barrels)





























2





2













U







6





2























3













2
































2











One country
produce 8m as
agreed, the other
country produces
6m barrels more

Revenue for **8**
million barrels =
 $90 \times 8 = \$720$

Revenue for **14**
million barrels =
 $90 \times 14 = \$1,260$

If country A
cooperates

If country B
cooperates

If country A
cheats

















U























2





















4





2











2























2









V









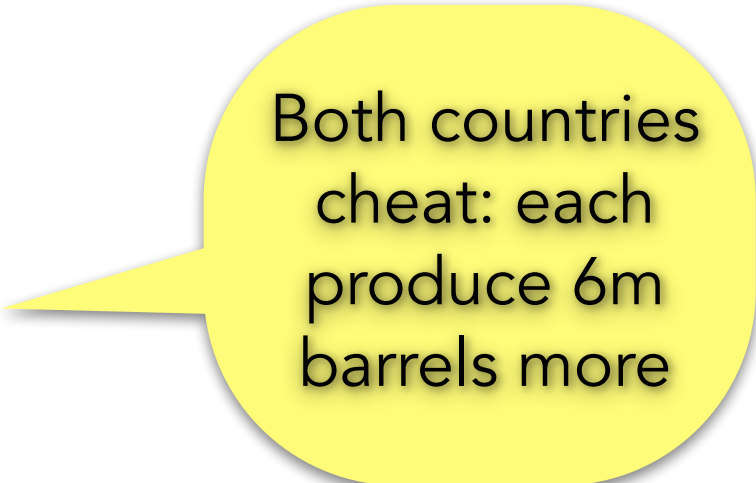






Revenue for **28**
million barrels =
 $60 \times 28 = \$1,680$

Each country
gets half: \$840



Both countries
cheat: each
produce 6m
barrels more

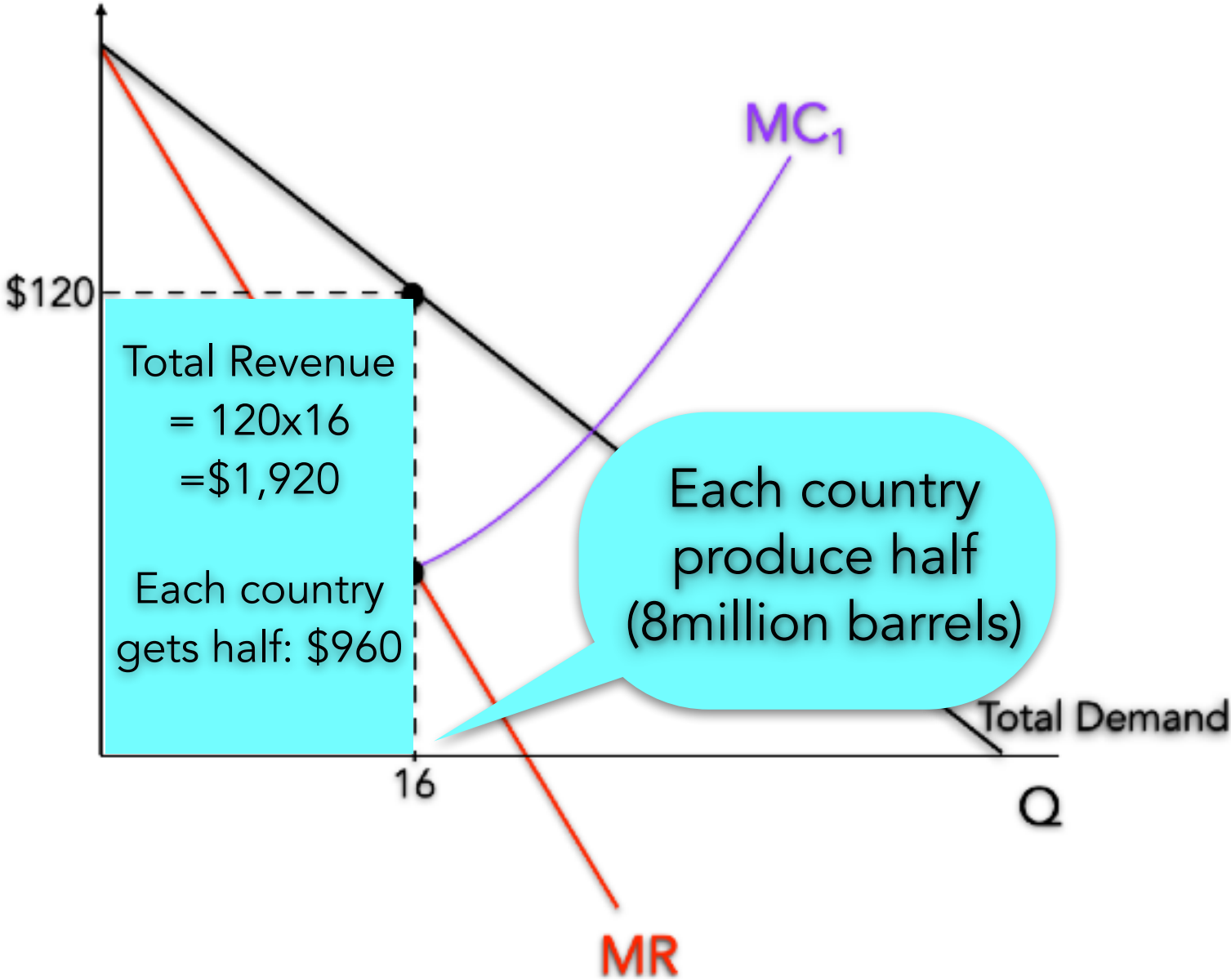
Two countries (country A and country B) produce oil. They agree to cooperate to set price and quantity as one:

If one of them cheats and produces 6m barrels more than the 8m agreed, the price falls:

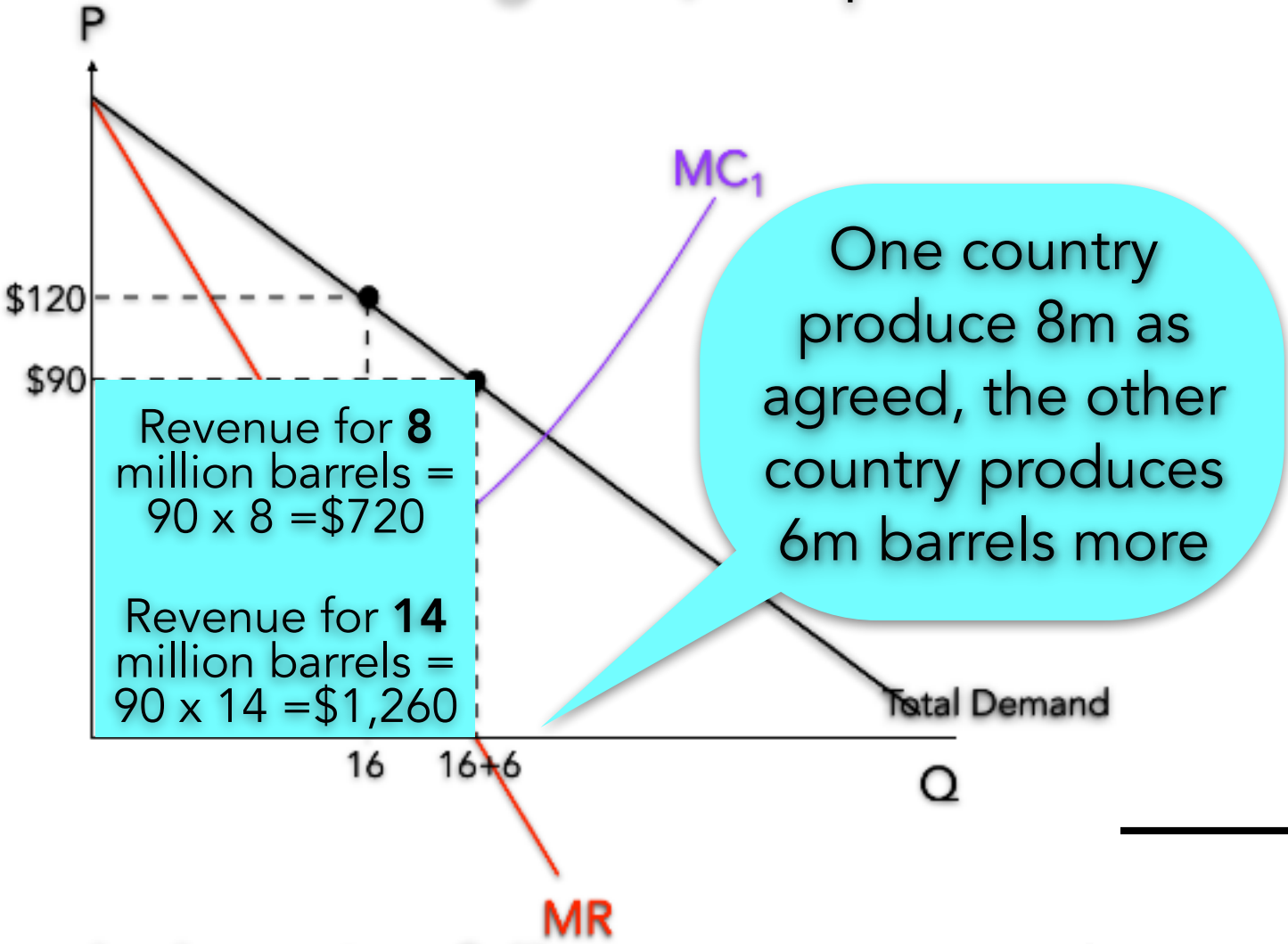
If both countries cheat and produce 14m barrels each the price falls even more:

To cooperate or not to cooperate?

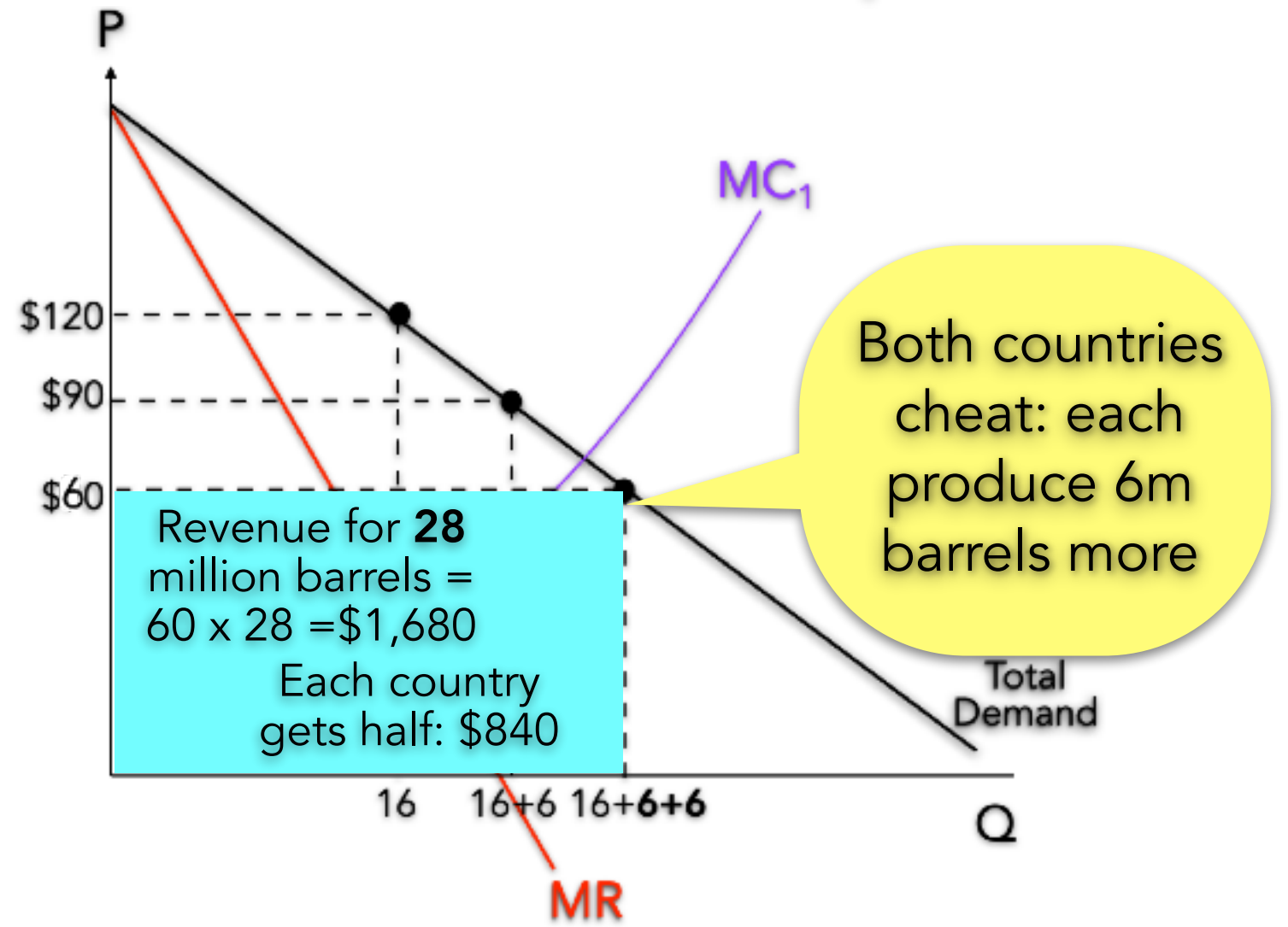
Two countries (country A and country B) produce oil. They agree to **cooperate** to set price and quantity as one:



If one of them cheats and produces 6m barrels more than the 8m agreed, the price falls:



If both countries cheat and produce 14m barrels each the price falls even more:



Revenues

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

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

	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>