



|  |  |  |
|--|--|--|
|  |  |  |
|  |  |  |
|  |  |  |

If country A  
cooperates

If country B  
cooperates



A gets:

\$960

B gets:

\$960

If country B  
cheats



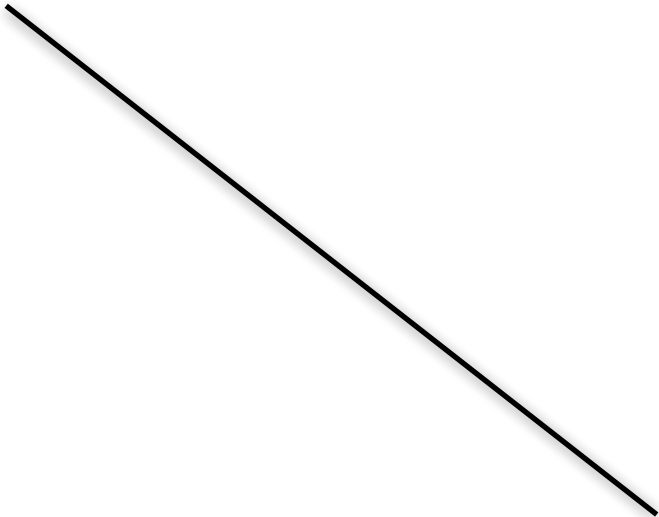
If country A  
cheats

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 **B** do if **A** cheats?



W



























































2







W































U







**V**













V

















B









a



S















S





4













V



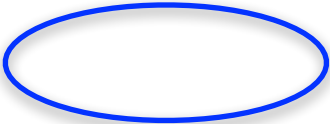


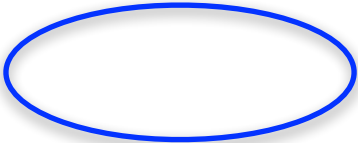
U





If B cooperates, it gets \$720 in revenue









U









**Y**

B



S

**b**



S



S





2





9

**Y**















a





S













2





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

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



Best:  
cheat





U









**Y**

B



S

b





S

S





2









**Y**





9

2









S

S





W



2









U







**V**











S



S













2







Dominant  
Strategy:  
cheat!

We then  
ignore this  
side of the  
matrix



We then ignore  
country A's  
revenues

If B cheats, it gets \$840 in revenue

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

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

Let's find the best strategy for Country B

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

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

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

We then ignore country A's revenues

|                     | If country B cooperates  | If country B cheats      |
|---------------------|--------------------------|--------------------------|
| If country A cheats | <div>B gets: \$720</div> | <div>B gets: \$840</div> |

Dominant Strategy: cheat!

Best: cheat

We then ignore this side of the matrix

Revenues

|                         | 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>   |