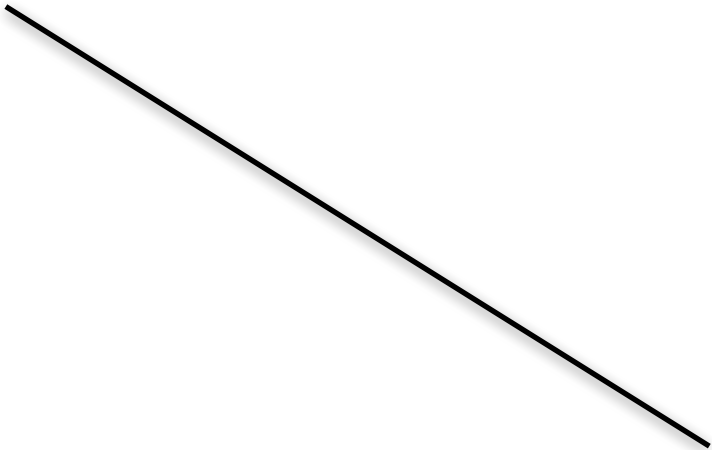


Revenues

If country A
cooperates

If country B
cooperates



A gets:

\$960

B gets:

\$960

If country B
cheats

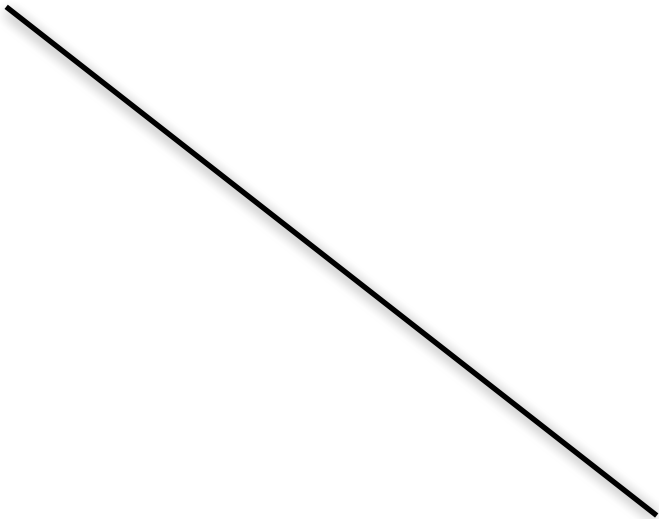
If country A
cheats

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



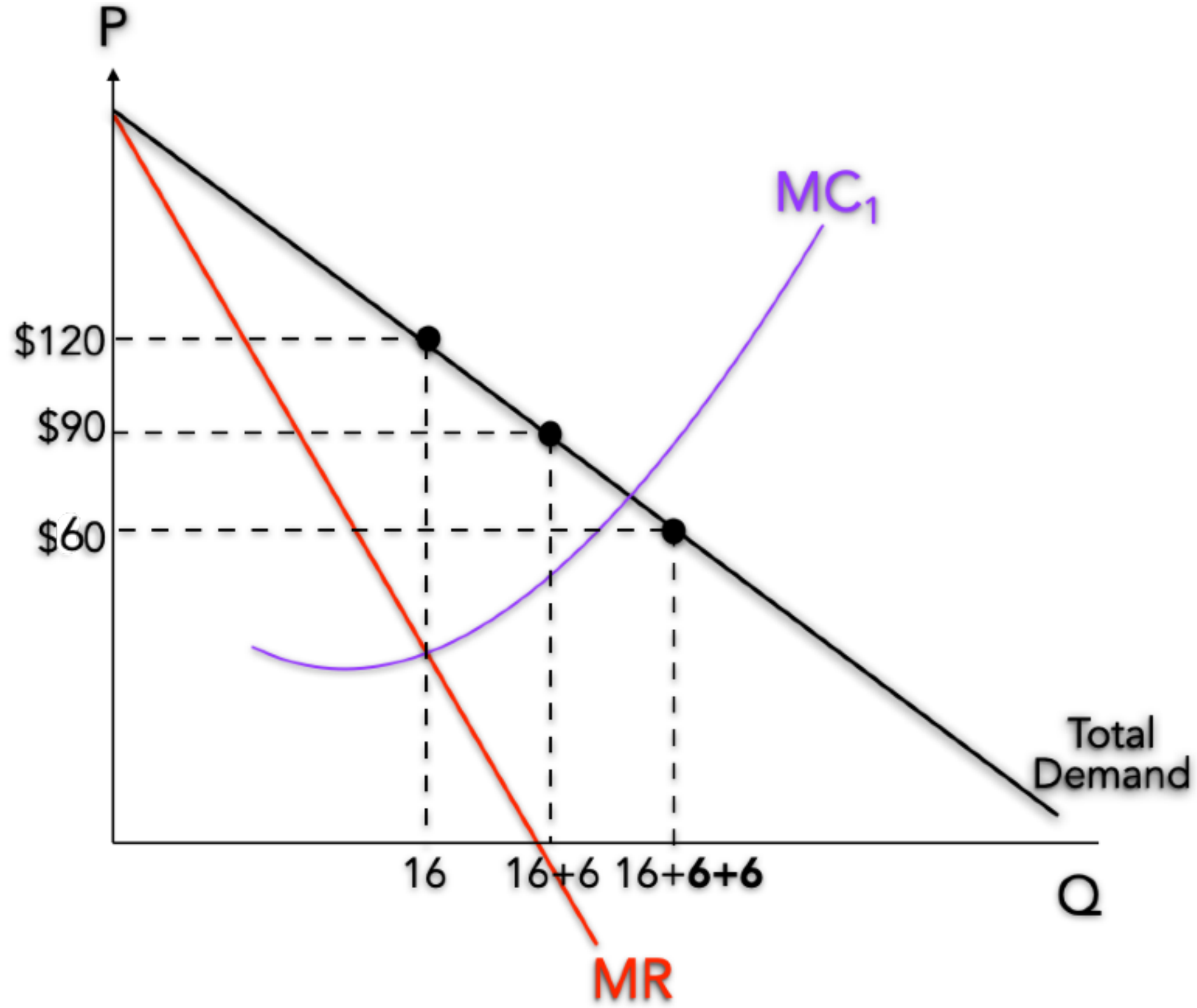
Less than what
they would have
made
cooperating!














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

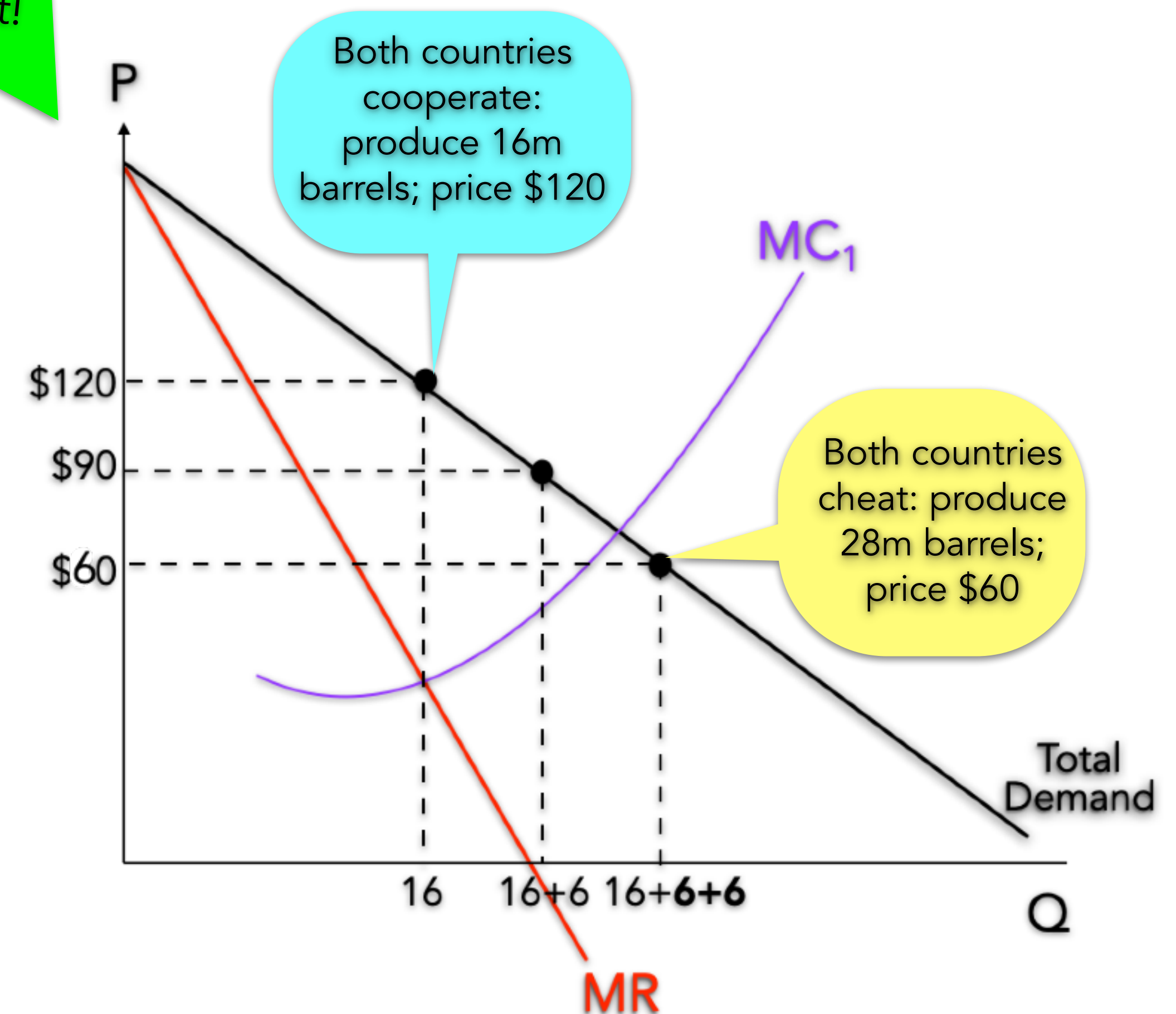
Less than what they would have made cooperating!

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>