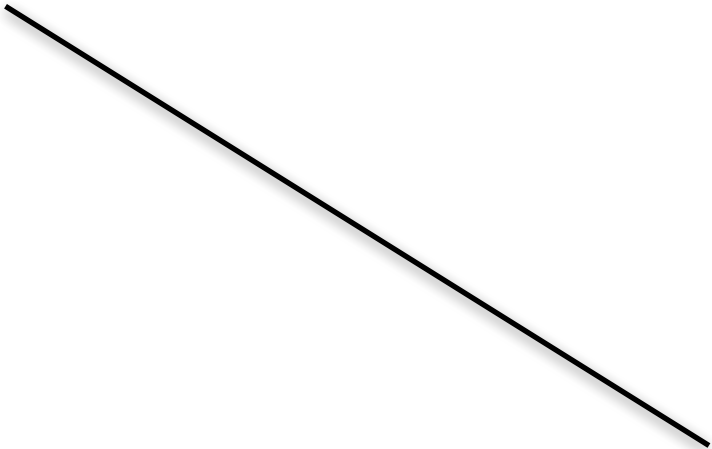


Revenues

If country A
cooperates

If country B
cooperates



A gets:

\$960

B gets:

\$960

If country B
cheats

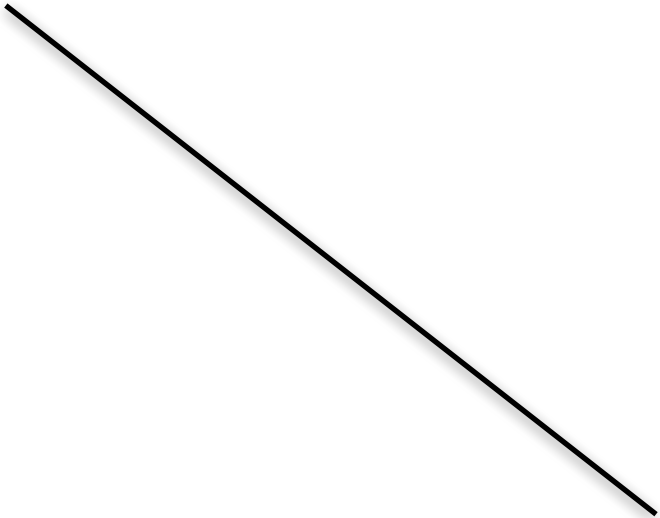
If country A
cheats

A gets:

\$700

B gets:

\$700

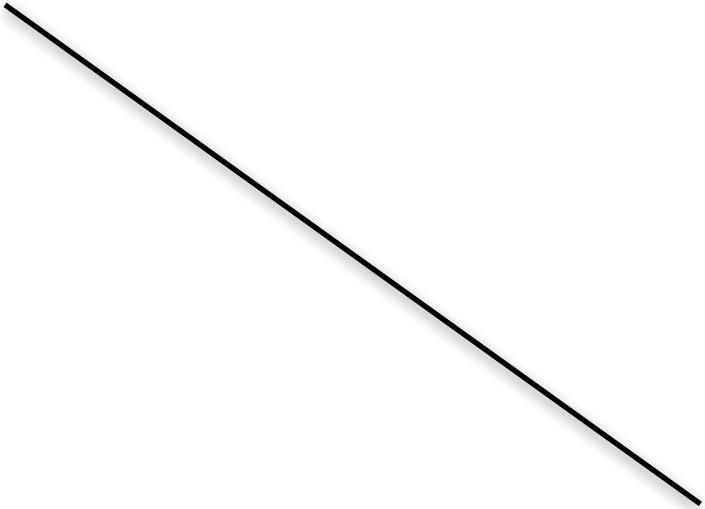


A gets:

\$1,260

B gets:

\$720

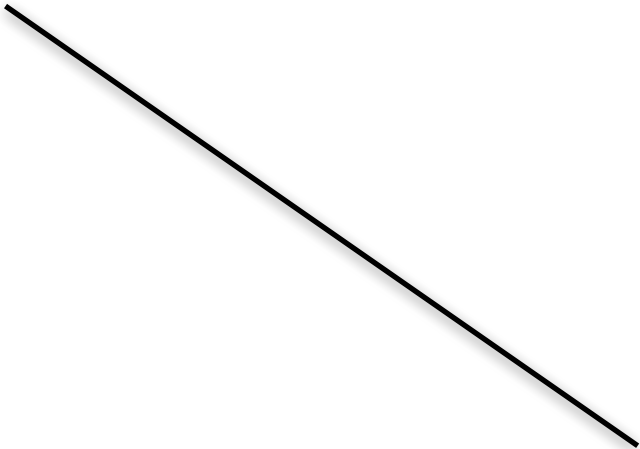


A gets:

\$720

B gets:

\$1,260



Nash Equilibrium













2

N

S







U







b



U





F













b



S





a

Y















a





a



















m





























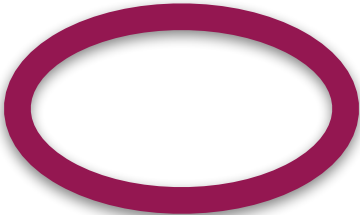


9

V

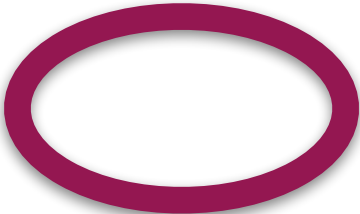




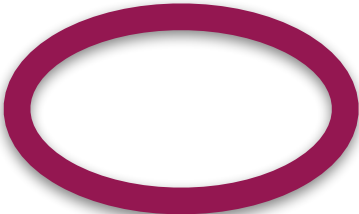


If B cooperates, the best payoff for A (the highest between \$960 and \$1,260) is \$1,260

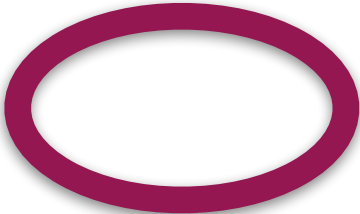
If **B** cheats, the best payoff for **A** (the highest between \$**720** and \$**700**) is \$**720**



If A cooperates, the best
payoff for B (the highest
between \$960 and
\$1,260) is \$1,260



If A cheats, the best
payoff for B (the highest
between \$720 and \$700)
is \$720



To find a Nash equilibrium:
Find the best payoff for each
alternative move of the other
player

Nash Equilibrium

To find a Nash equilibrium:

Find the **best payoff** for each **alternative move** of the other player

If **B cheats**, the **best payoff** for **A** (the highest between \$720 and \$700) is \$720

If **B cooperates**, the **best payoff** for **A** (the highest between \$960 and \$1,260) is \$1,260

Revenues

	If country B cooperates	If country B cheats
If country A cooperates	<div style="display: flex; justify-content: space-between;"> A gets: \$960 B gets: \$960 </div>	<div style="display: flex; justify-content: space-between;"> A gets: \$720 B gets: \$1,260 </div>
If country A cheats	<div style="display: flex; justify-content: space-between;"> A gets: \$1,260 B gets: \$720 </div>	<div style="display: flex; justify-content: space-between;"> A gets: \$700 B gets: \$700 </div>

If **A cheats**, the **best payoff** for **B** (the highest between \$720 and \$700) is \$720

If **A cooperates**, the **best payoff** for **B** (the highest between \$960 and \$1,260) is \$1,260

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: \$700 B gets: \$700

Nash Equilibrium