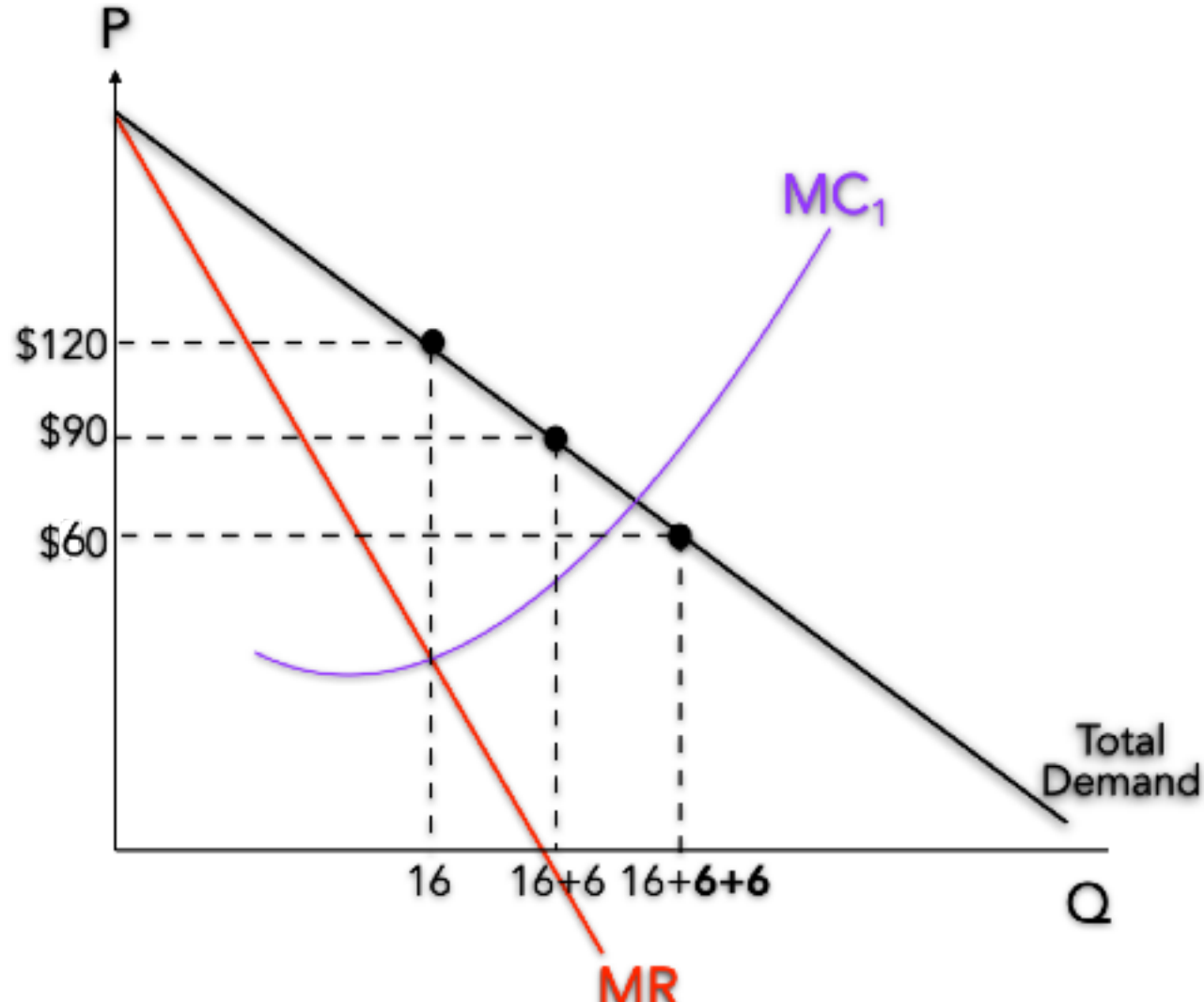
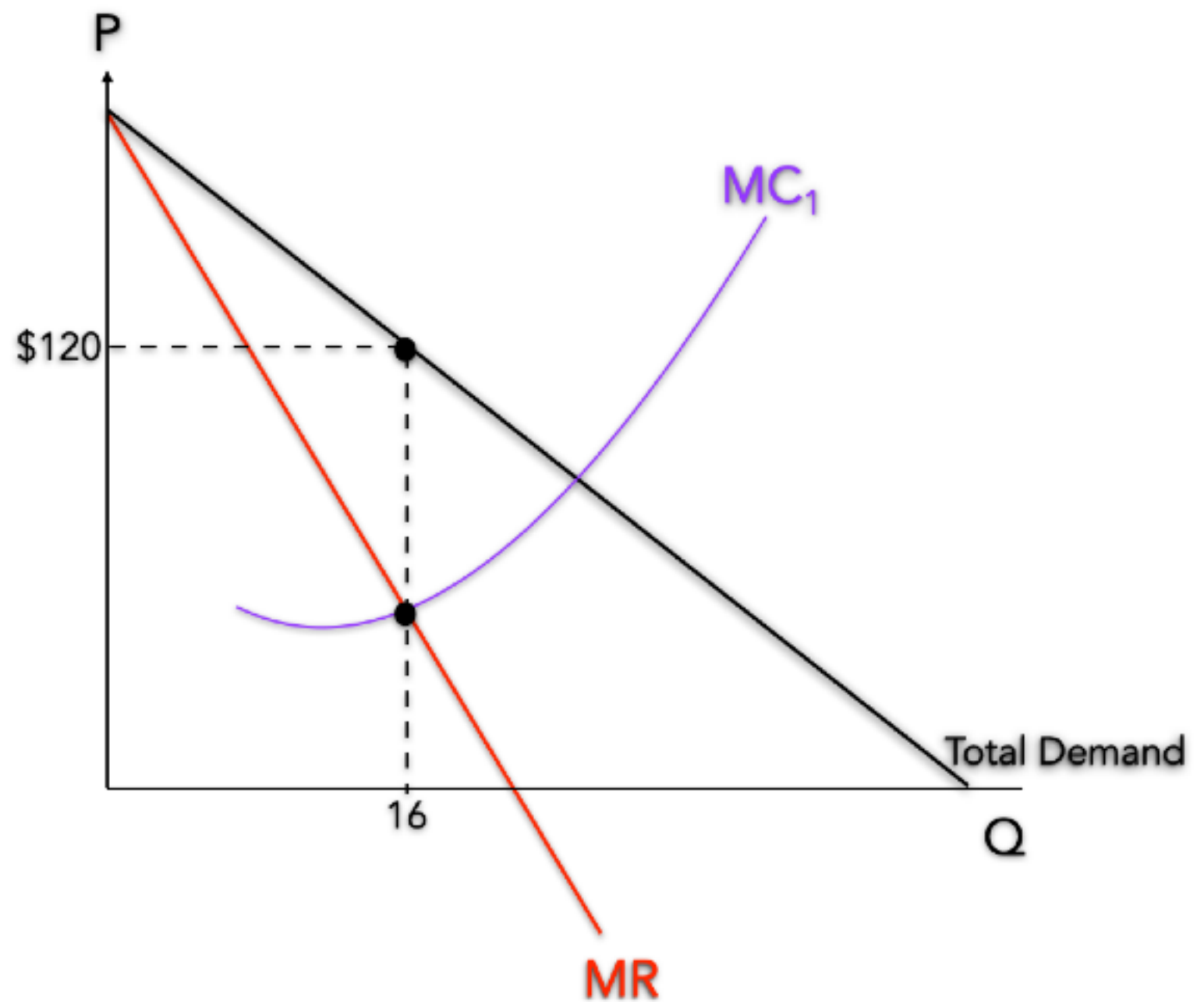
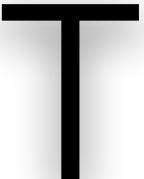

P
MC1
$120
$90
$60
Total Demand
16
16+6
16+6+6
Q
MR

Revenues


P
MC1
$120
Total Demand
16
Q
MR

To cooperate or not to cooperate?



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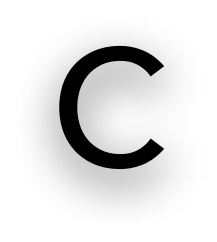
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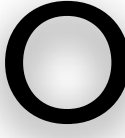

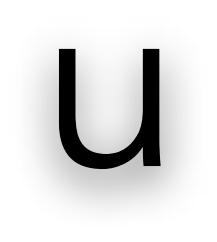

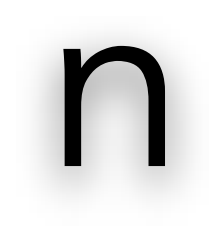
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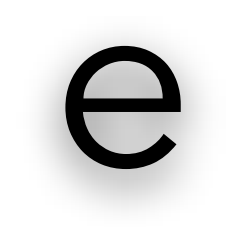

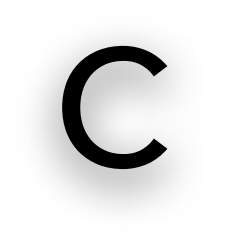
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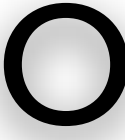

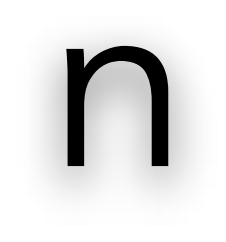

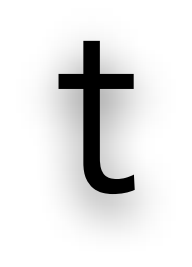
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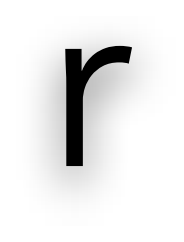
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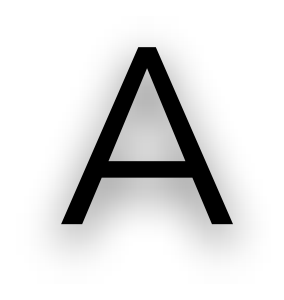

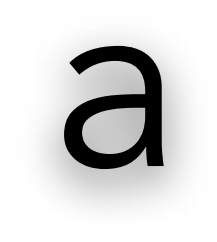
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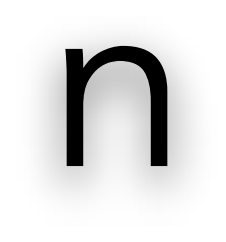

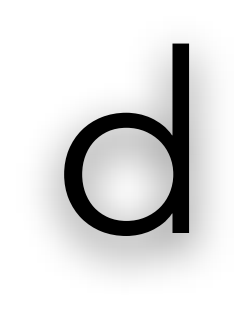

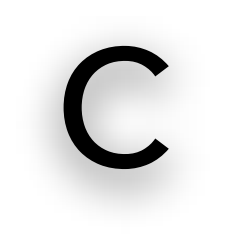
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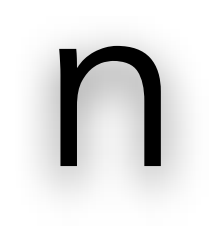
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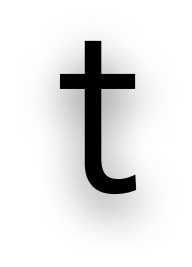
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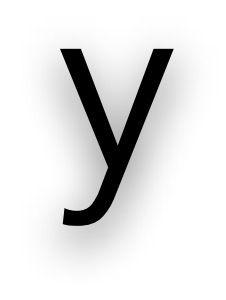
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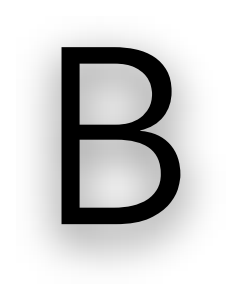
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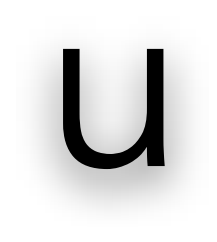

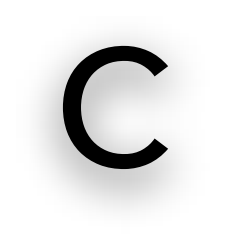
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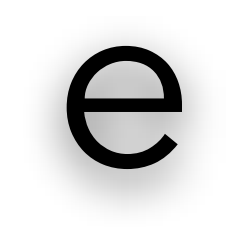

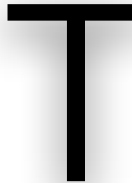

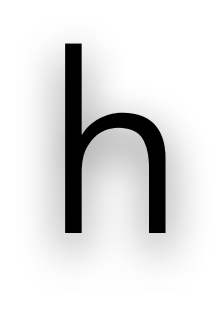

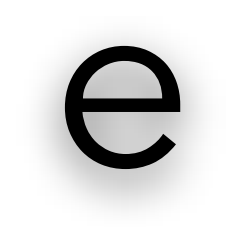


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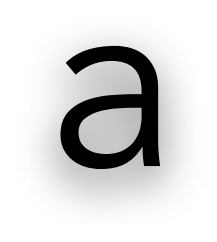
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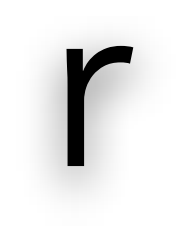

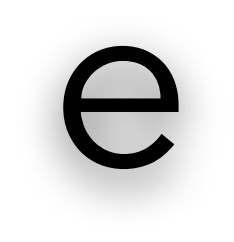

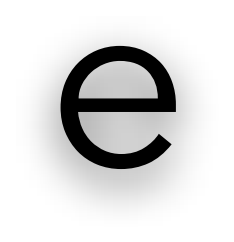

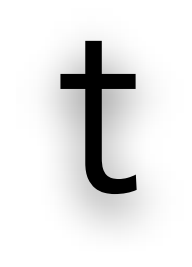


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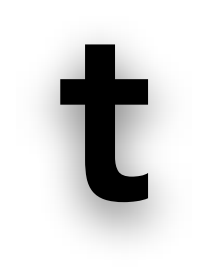

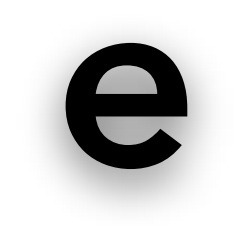

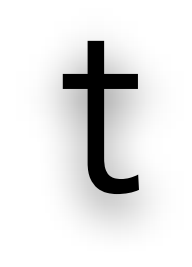

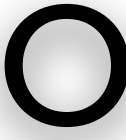

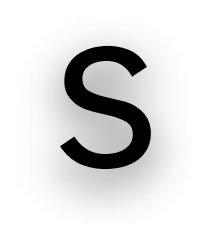

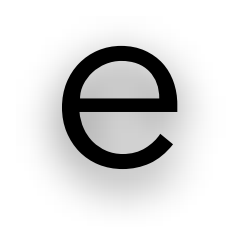

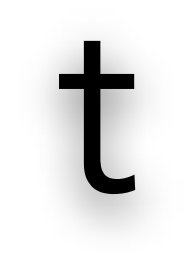
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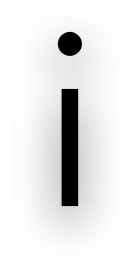

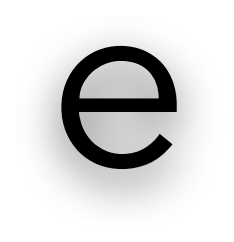

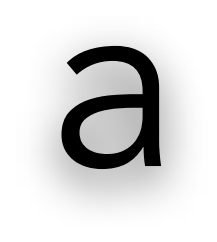
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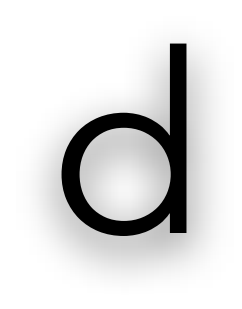

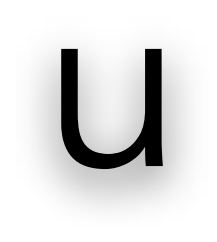


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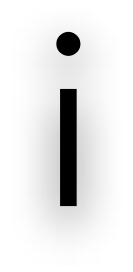

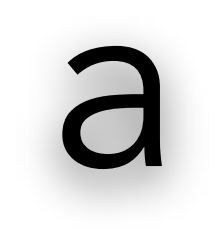
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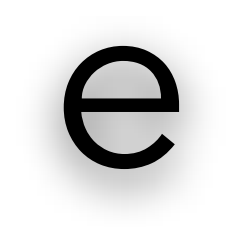
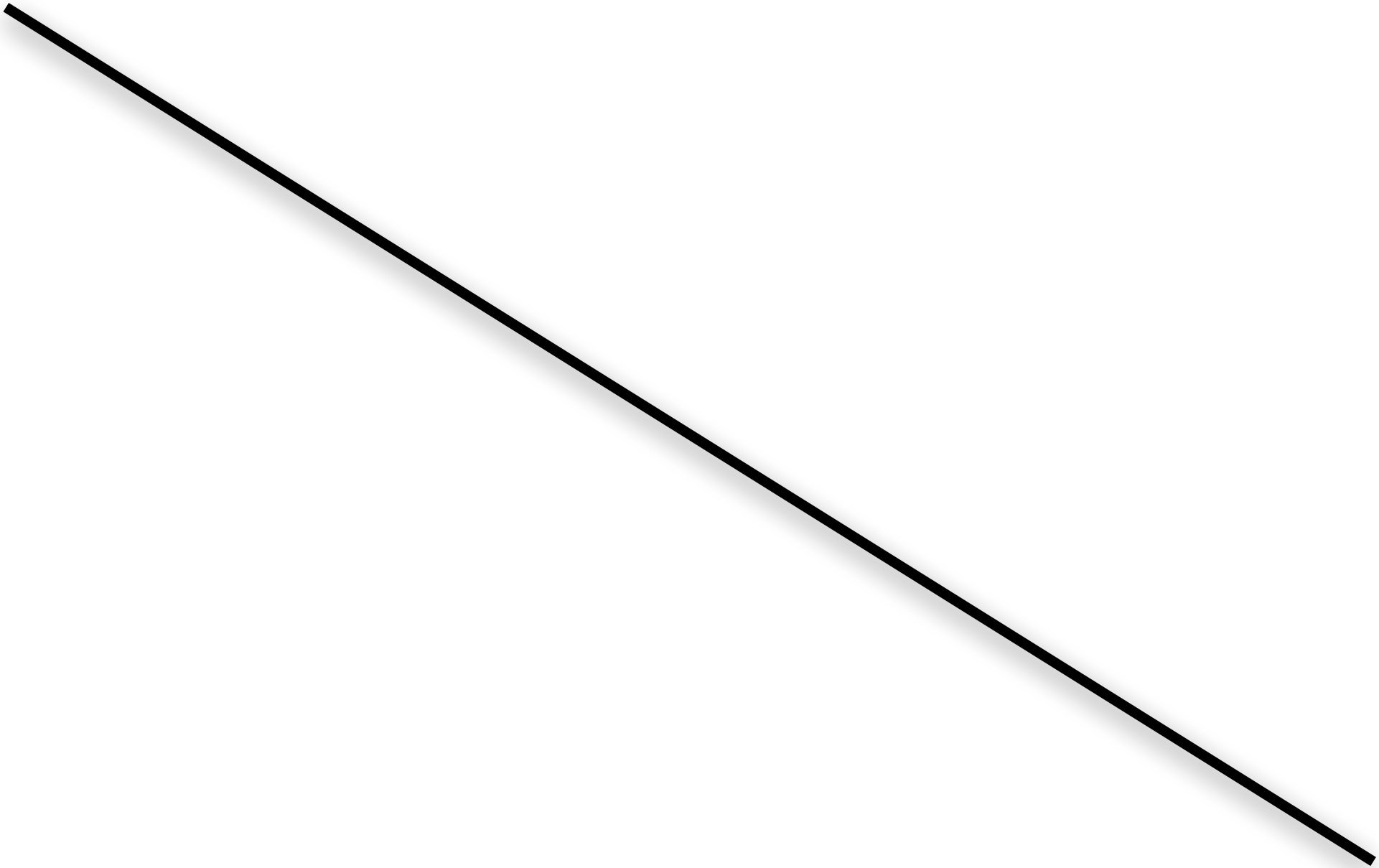
S


n



If country A cooperates

If country B cooperates



A gets:

$960

B gets:

$960

If country B cheats

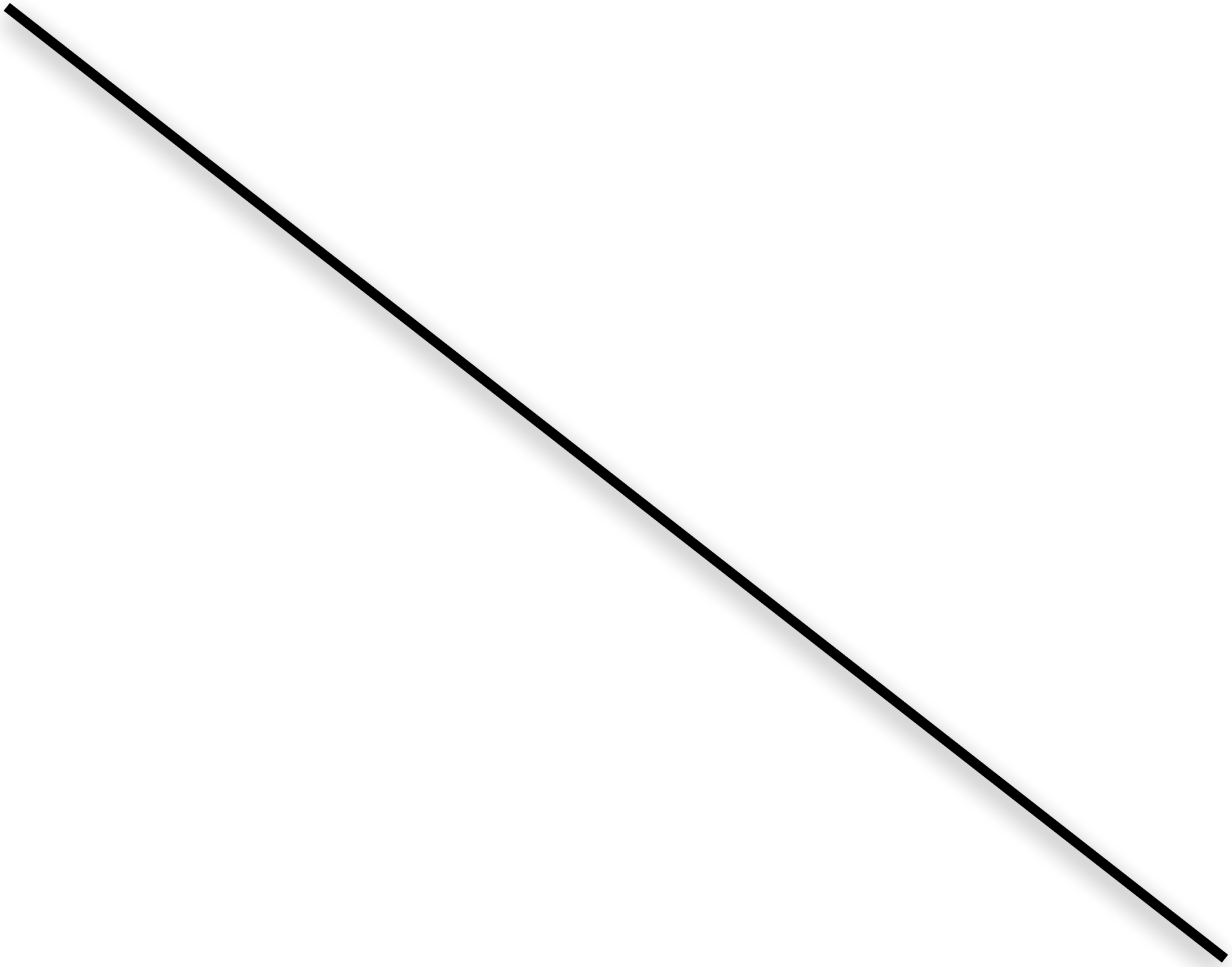
If country A cheats

A gets:

$840

B gets:

$840

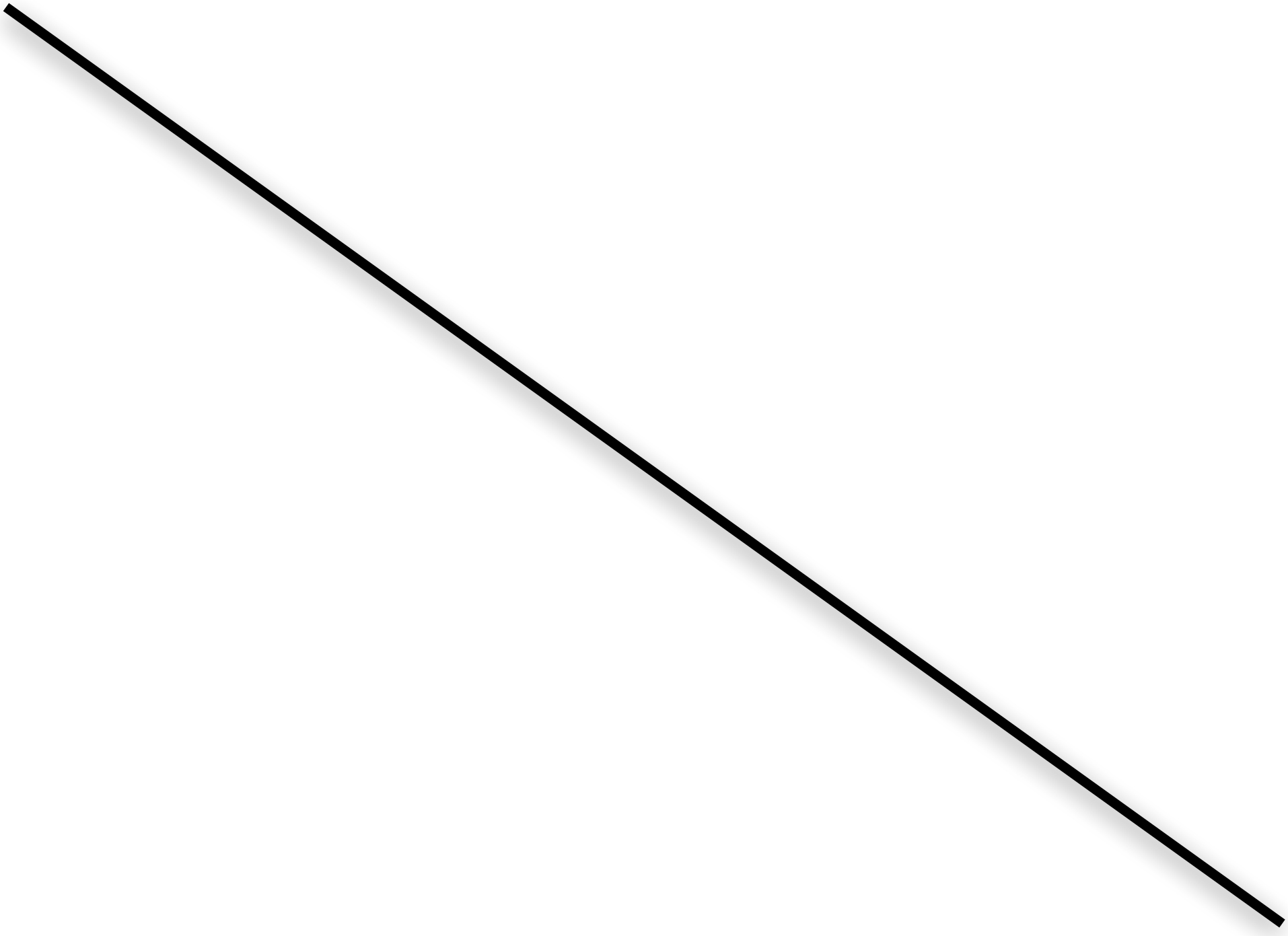


A gets:

$1,260

B gets:

$720

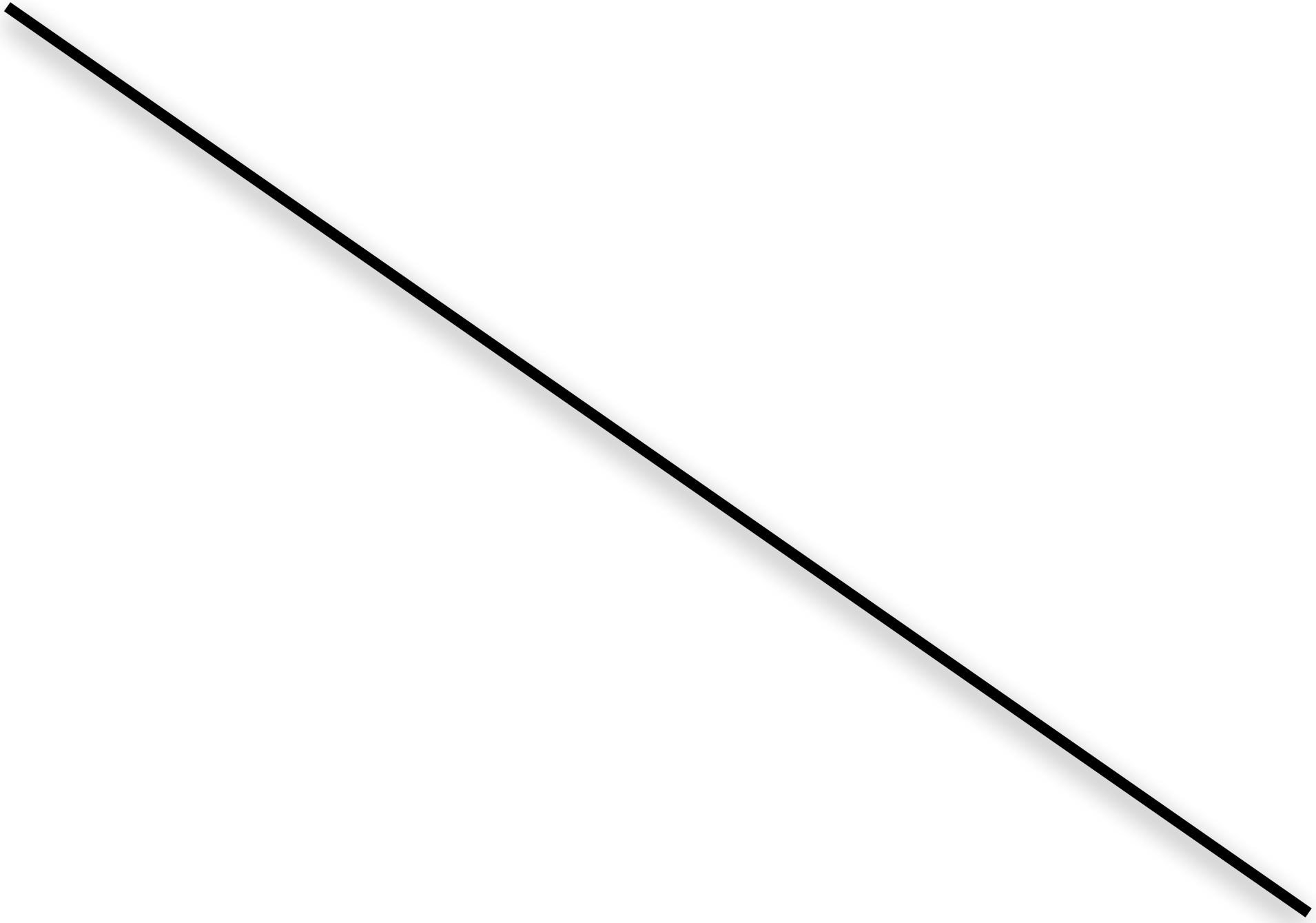


A gets:

$720

B gets:

$1,260

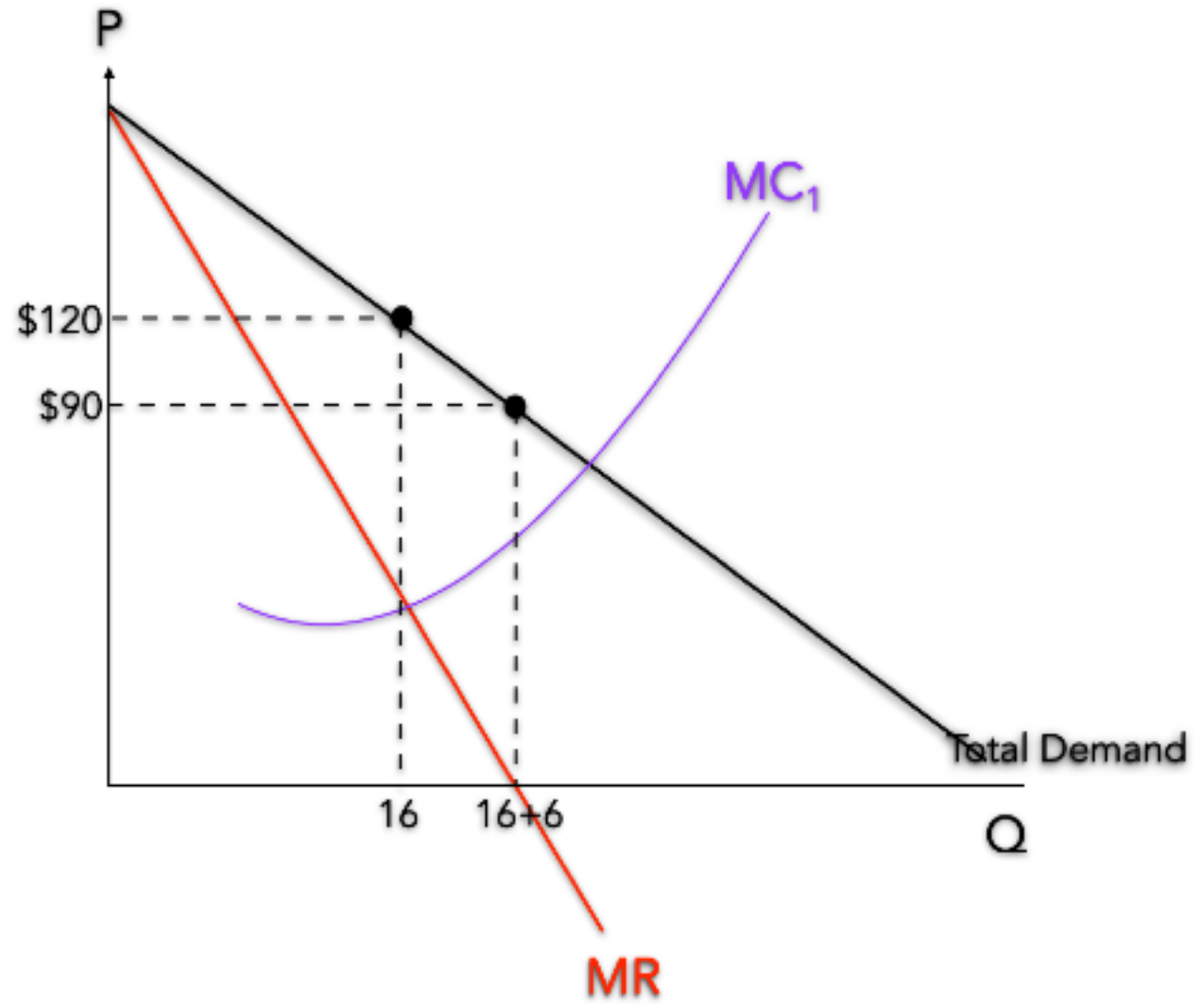


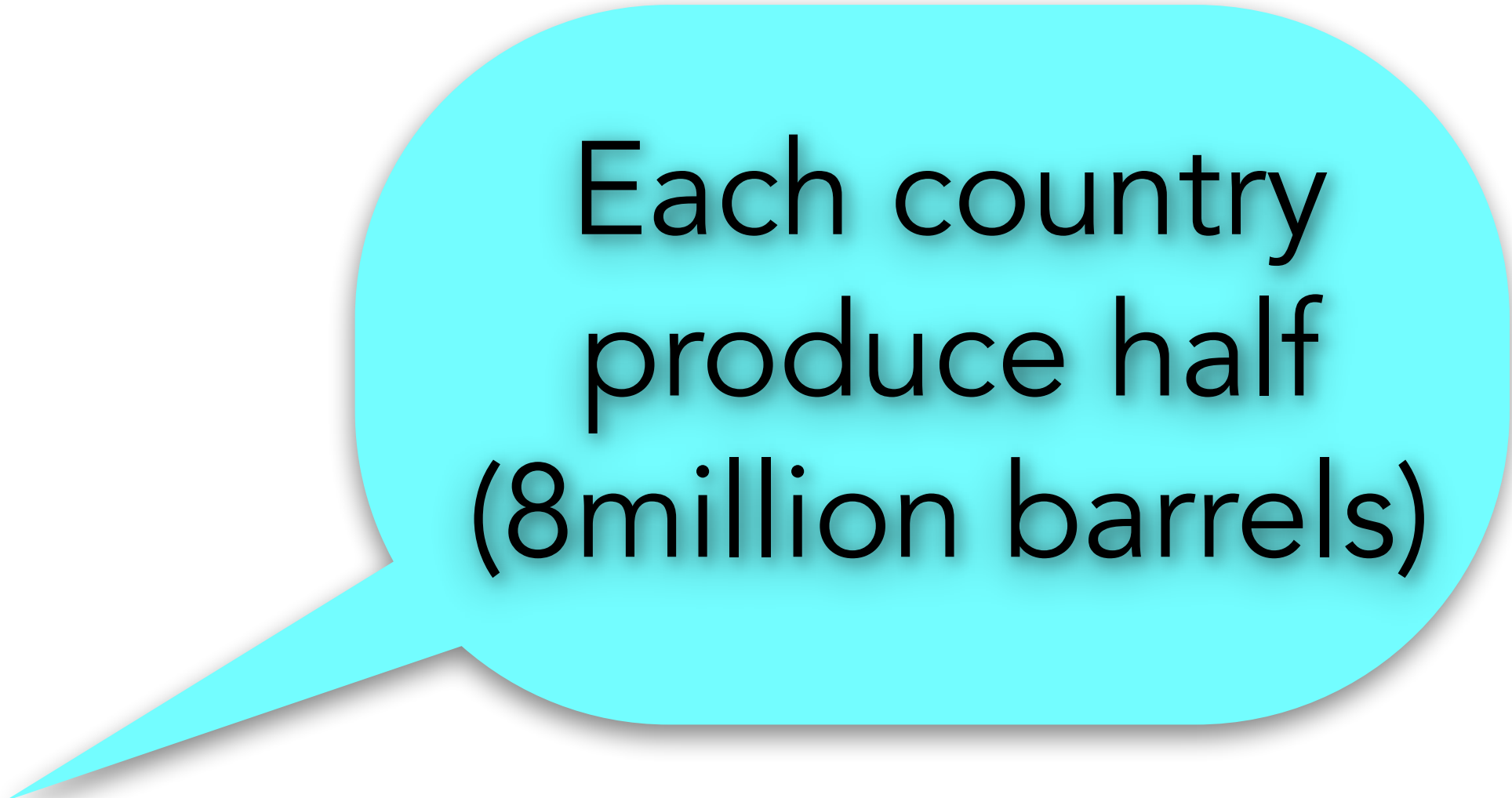
Total Revenue

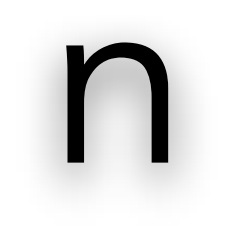
= 120x16

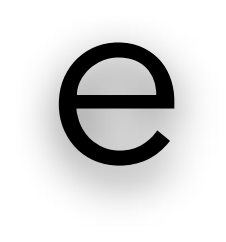
=$1,920

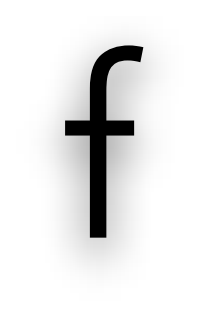
Each country gets half: $960

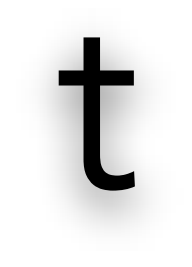

P
MC1
$120
$90
Total Demand
16
16+6
Q
MR


Each country
produce half
(8million barrels)





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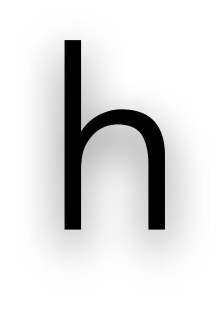
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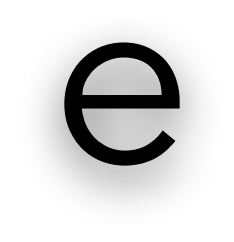


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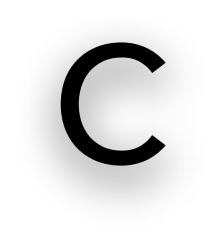
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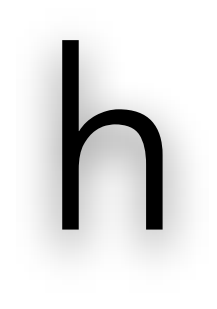

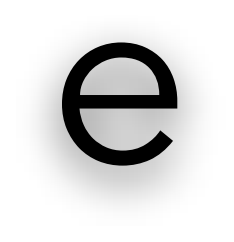


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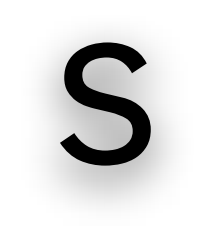

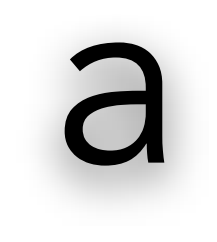
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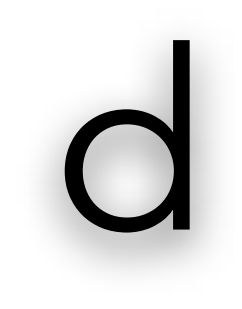

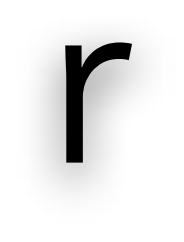

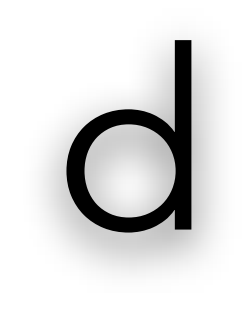

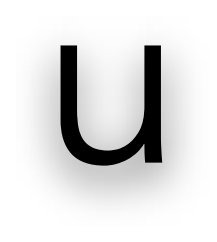

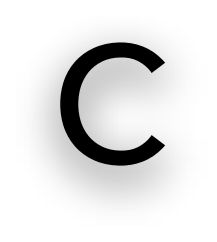

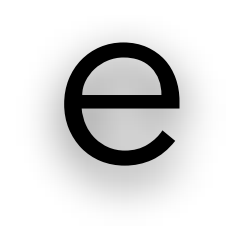


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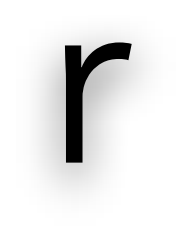

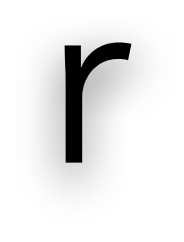

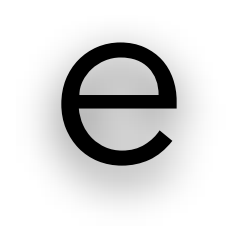

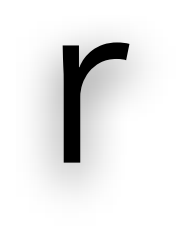

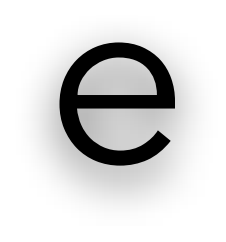

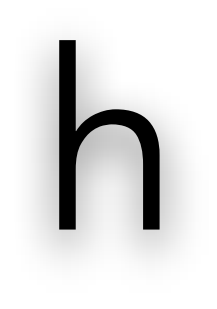
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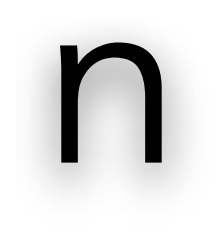
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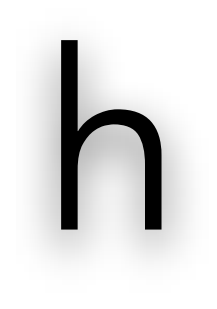

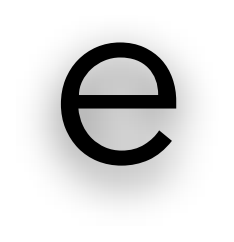

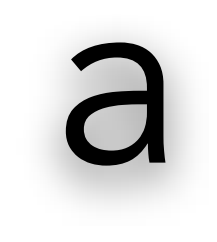
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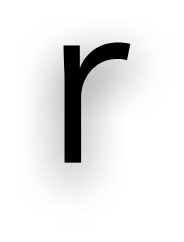

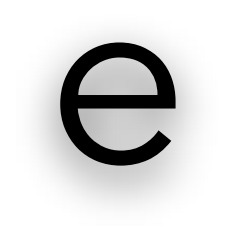

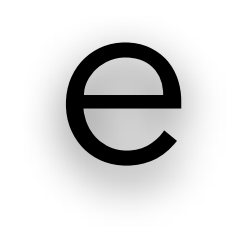

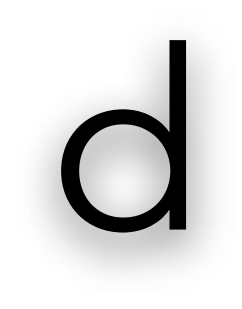

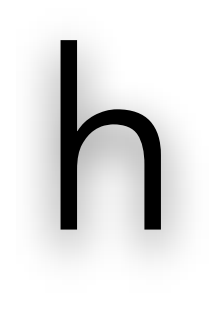

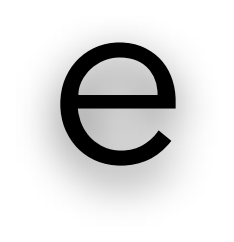

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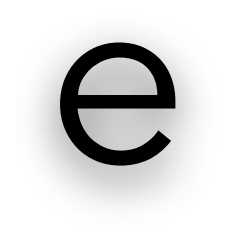



a


S

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

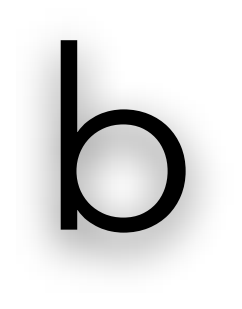
Revenue for **8** million barrels = 90 x 8 =$720

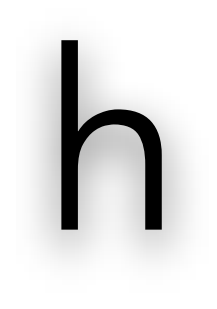
Revenue for **14** million barrels = 90 x 14 =$1,260

If country A cooperates

If country B cooperates

If country A cheats

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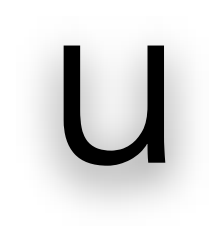

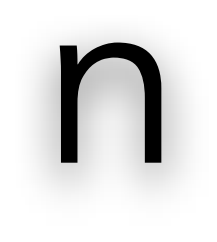
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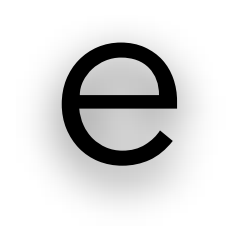


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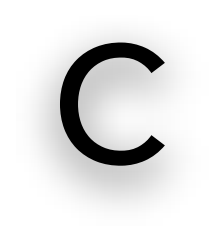
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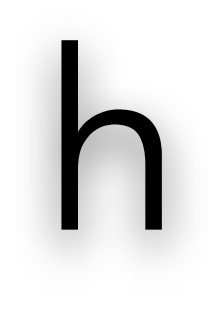
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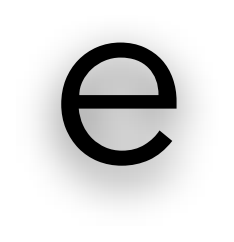

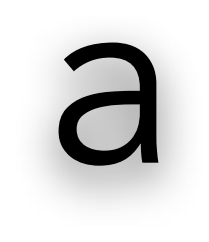
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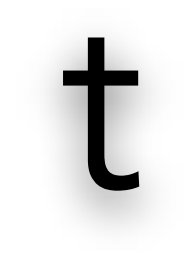

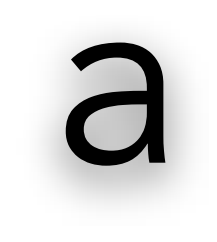
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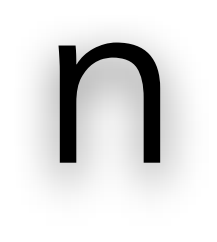
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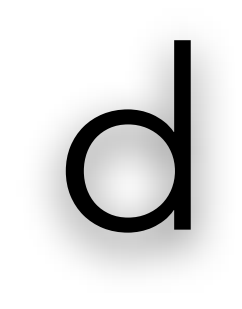

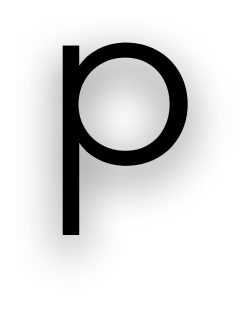

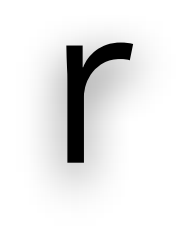

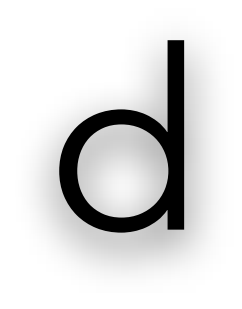

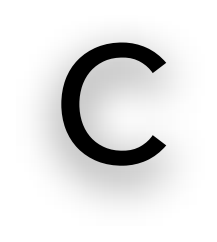
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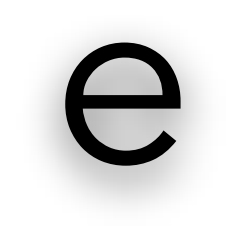

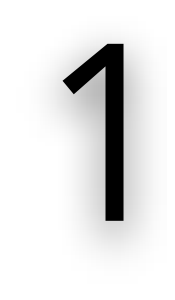


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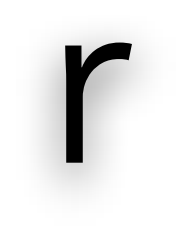

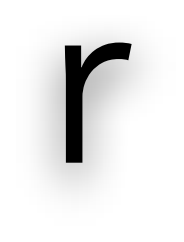

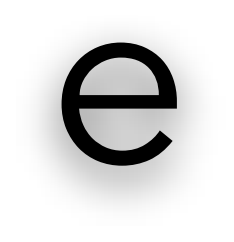


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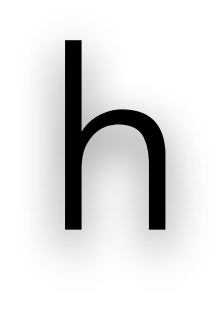

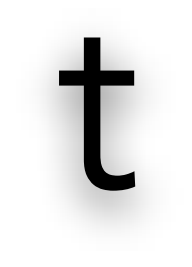
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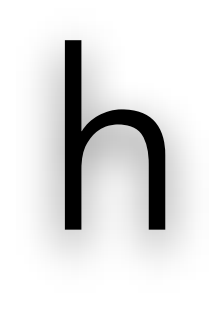
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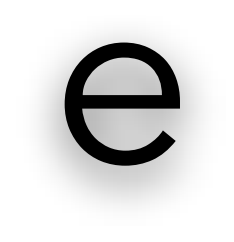

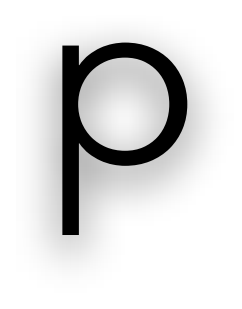

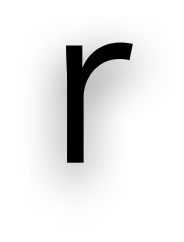

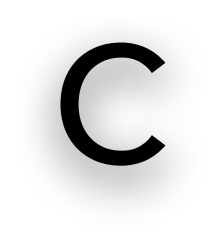

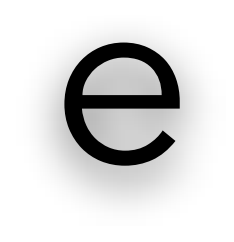


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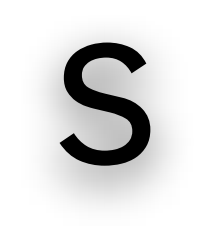

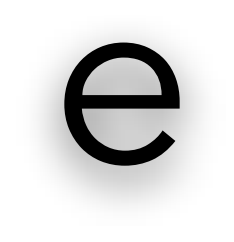

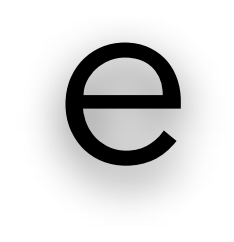

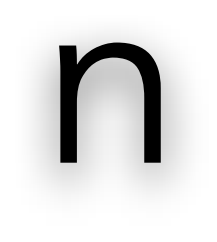
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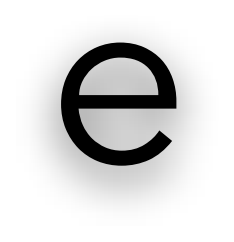


Revenue for **28** million barrels = 60 x 28 =$1,680

Each country gets half: $840

Both countries cheat: each produce 6m barrels more

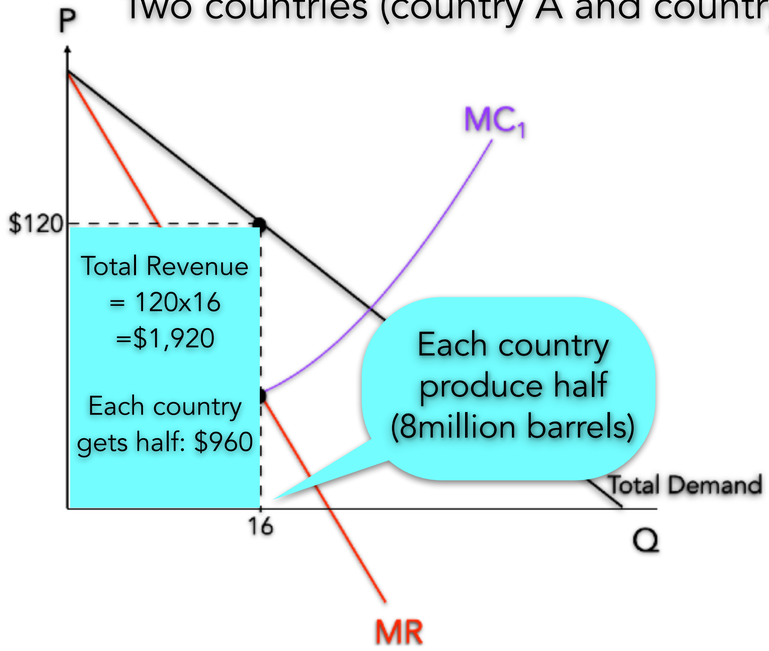
Two countries (country A and country B) produce oil. They agree to **cooperate** to set price and quantity as one:

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:



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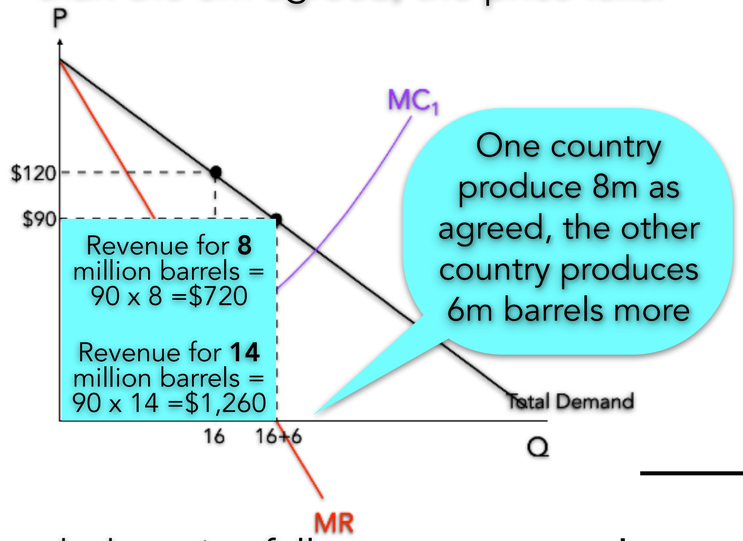

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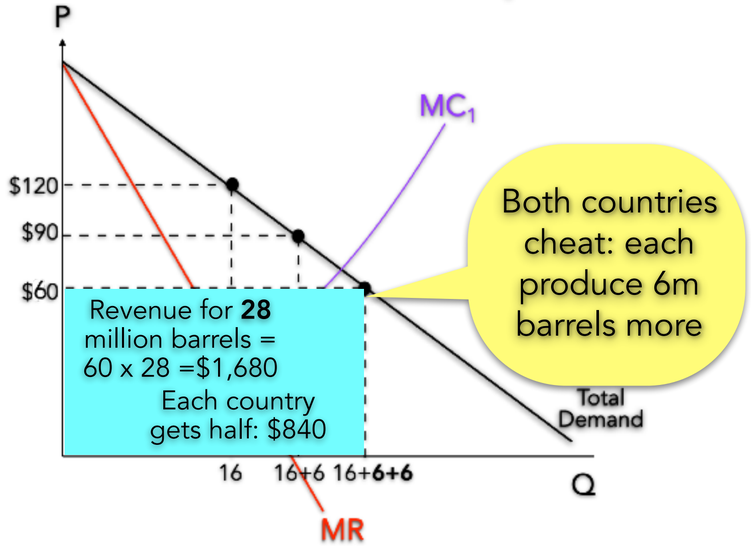

Revenues

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

Let's find the best strategy for Country A

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