

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

If country A
cooperates

If country B
cooperates



A gets:

\$960

B gets:

\$960

If country B
cheats

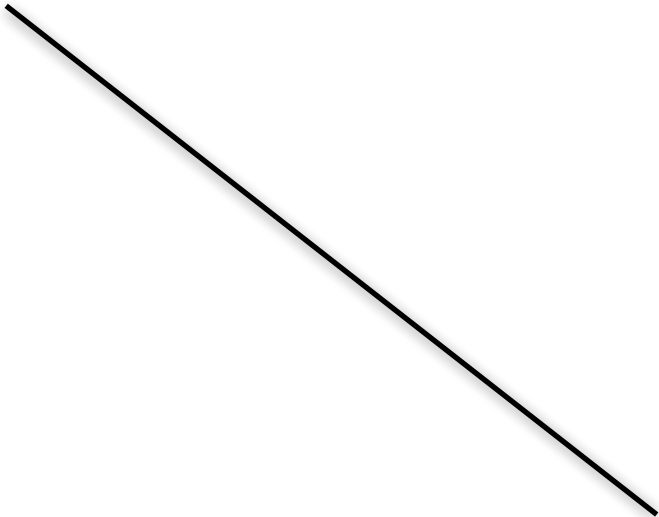
If country A
cheats

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 A do if B cheats?

W













9

















S



















6









W











9













U







V

B



S





V





U

















a



S













S





4











V



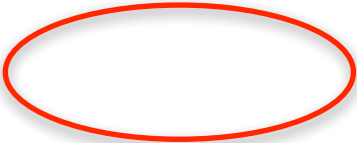


U



If A cooperates, it gets \$720 in revenue









U







V





S

b



S



S





2





9

V





B







a



S



S









2



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

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



Best:
cheat





U







Y





S

b



S



S





2





g

Y







2







S

S





W



2







U







Y

B







S



S











2







Dominant
Strategy:
cheat!

We then ignore
this side of the
matrix

We then ignore
Country B's
revenues

If A cheats, it gets \$840 in revenue

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

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

Let's find the best strategy for Country A

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

We then ignore this side of the matrix We then ignore Country B's revenues

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

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

| | | |
|-------------------------|--|------------------------------|
| | | If country B cheats |
| If country A cooperates | | A gets: \$720 |
| If country A cheats | | Best: cheat A gets: \$840 |

Dominant Strategy: cheat!

Best: cheat

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> |