

If country A
cooperates

If country B
cooperates



A gets:

\$960

B gets:

\$960

If country B
cheats

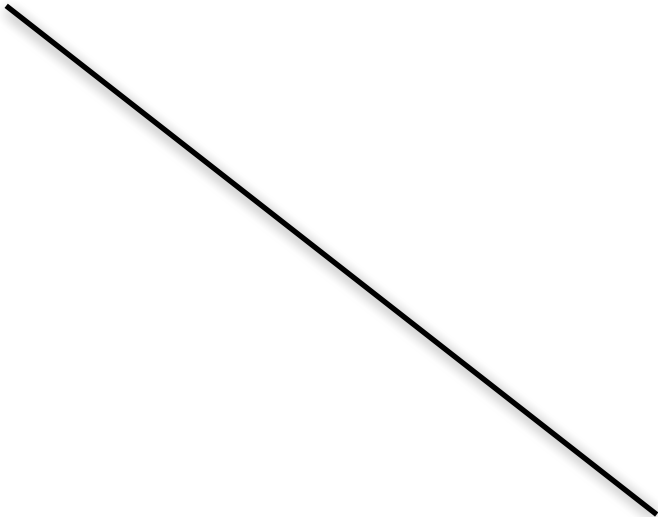
If country A
cheats

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







9





S





4











V

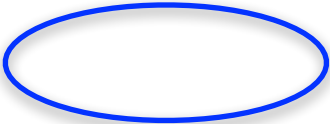


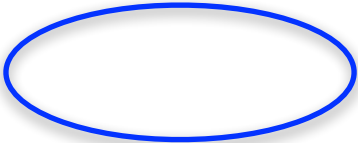


U



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>