FIGURE 3.2

Choosing Actions under Uncertainty: Converting Incomplete Information into Imperfect Information

Nature chooses United States type

R

$1 - R$

United States

United States

Propose compromise

Sanction

Propose compromise

Sanction

Iran

Iran

Iran

Iran

Accept

Accelerate nuclear effort

Back down

Retaliate

Accept

Accelerate nuclear effort

Back down

Retaliate

United States

United States

$1 - X$
X

1
0

0.70
0.10

$1 - X$
X

1
0

0.70
0.10

Back down

Air strike

Back down

Air strike

0
1

-0.1
0.50

0
1

0.55
0.05

Payoffs listed as United States on top and Iran on bottom