

THE CREDIBILITY TRAP

Game Theory and Trump's Iran War Decision

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Laboratorium Indonesia 2045 ·

11×

Escalation-Retreat Cycles
2018–2026

6 HRS

Fastest Capitulation
Apr 9, 2025

68%

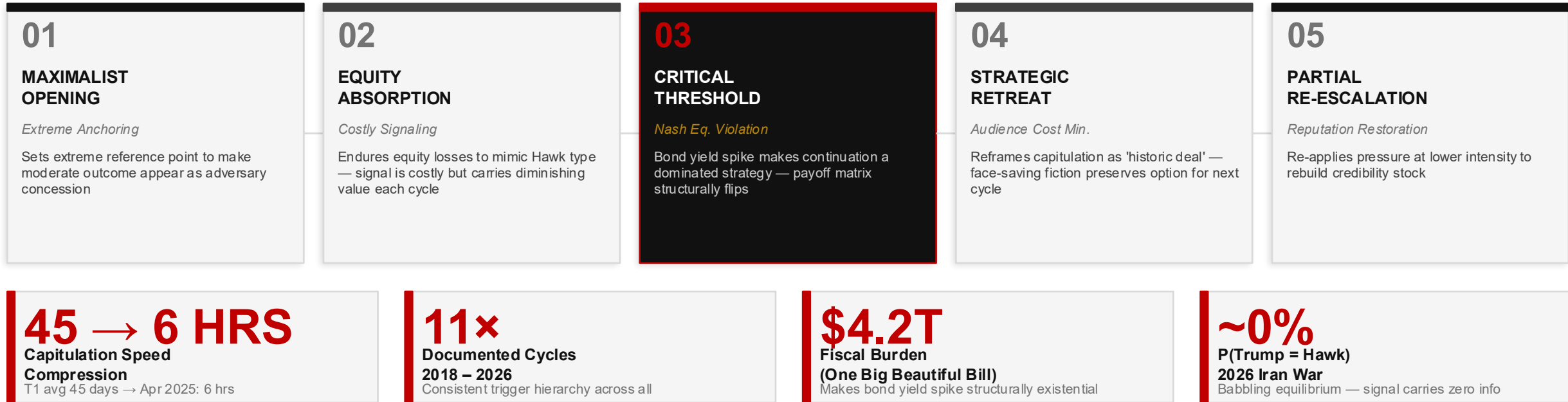
Predicted Probability
Negotiated Settlement

30–90 D

Iran War Termination
Window

The TACO Pattern: A Structurally Reproducible Behavioral Cycle

CORE FINDING: Trump's coercive diplomacy — whether tariffs or military force — is governed by a consistent capitulation trigger hierarchy. Sovereign bond market dislocation is the apex trigger. Patient adversaries need only wait for the bond market to move.



The shortening of the capitulation cycle from 45 days to 6 hours is not a tactical variation — it is structural evidence of complete credibility collapse.

From Separating Equilibrium to Babbling: The Collapse of Credibility

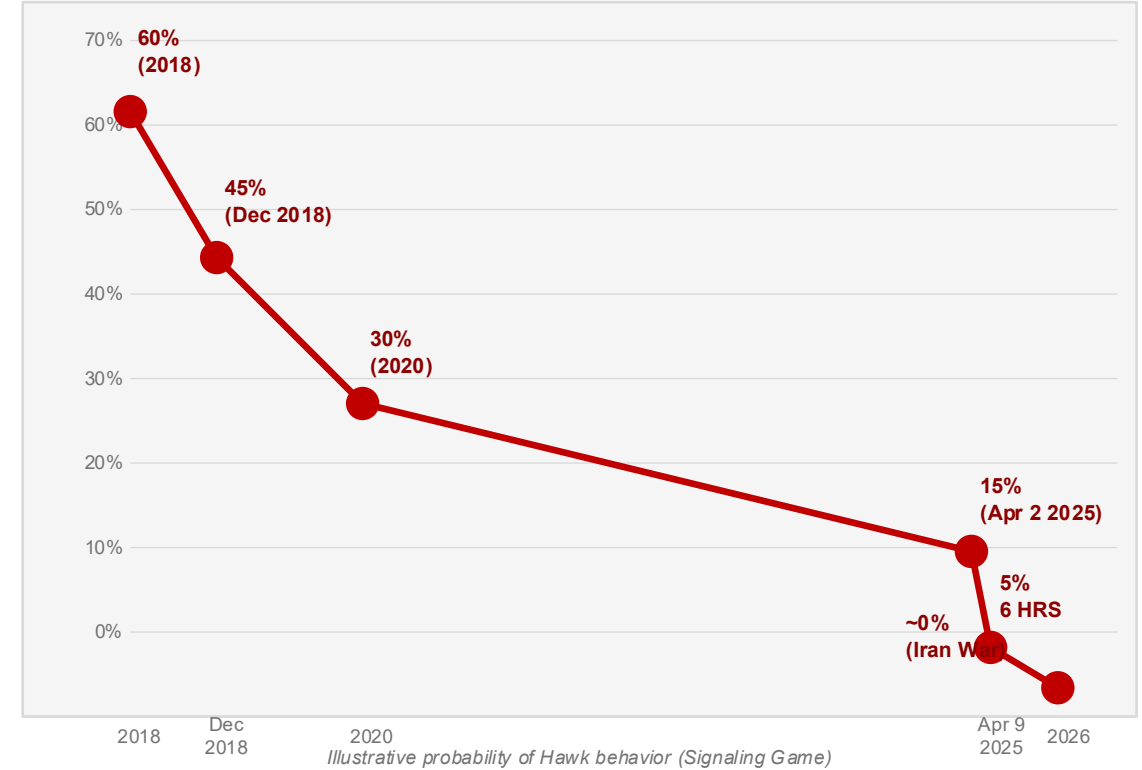
MATRIX 4 — RECEIVER BELIEF UPDATE (P(Trump = Hawk), 2018–2026)

EPISODE	SIGNAL SENT	OBSERVED ACTION	P(HAWK)
2018 T1	MAX TARIFFS	Holds through S&P -9%	60%
Dec 2018	MAX TARIFFS	Retreats at equity pain — 90-day truce	45%
Jan 2020	MAX TARIFFS	Full capitulation — structure untouched	30%
Apr 2 2025	MAX TARIFFS	'No chance backs off' — 7 days later reversed	15%
Apr 9 2025 6-HR FLIP	MAX TARIFFS	Bond break → Truth Social reversal in 6 HOURS	5%
2026 Iran War	UNCOND. SURRENDER	Behaviourally identical to Apr 4, 2025	~0–2%

BABBLING EQUILIBRIUM (2026)

By 2025, Trump's maximalist announcements carry ZERO information. Markets treat 'Unconditional Surrender' identically to 'Historic Deal Announcement.' Signal fully devalued. TACO becomes a mechanical decision rule.

CREDIBILITY DECAY CURVE (P(Hawk) over Time)



Chicken Game & Prisoner's Dilemma: Equilibrium Structure of the US–Iran Confrontation

MATRIX 1 — CHICKEN GAME (US vs. Iran)

	IRAN: HOLD FIRM	IRAN: SWERVE
US: HOLD FIRM	<p>(-4, -4) MUTUAL CATASTROPHE Nuclear risk / regional conflagration</p>	<p>(+3, -3) ● US DOMINANT WIN Iran submits under bombardment</p>
US: SWERVE	<p>(-3, +3) ● IRAN WINS — TACO US credibility collapses</p>	<p>(+1, +1) ● ✓ PREDICTED NEGOTIATED SETTLEMENT Both claim victory 68% probability</p>

(US payoff, Iran payoff) · Gold dot = Nash Equilibrium · Gold border = Predicted outcome

IRAN'S COMMITMENT DEVICE

Iran's hardline Supreme Leader selection removes the 'Swerve' option from Iran's strategy space — burning bridges credibly. This shifts the equilibrium probability mass away from US Swerve / Iran Hold (TACO) toward the Negotiated Settlement cell.

MATRIX 2 — PRISONER'S DILEMMA (Why Mediation Is Structurally Necessary)

	IRAN: COOPERATE	IRAN: DEFECT
US: COOPERATE	<p>(+3, +3) JOINT DEAL Enrichment halt + US face-saving + Iran sovereignty preserved</p>	<p>(-2, +4) IRAN EXPLOITS Iran gains without conceding; US credibility collapses</p>
US: DEFECT	<p>(+4, -2) US DOMINATES Iran fully capitulates — historically unprecedented</p>	<p>(-1, -1) ● NASH TRAP ★ Both defect, both lose. DOMINANT without mediator.</p>

WHY GULF MEDIATION IS STRUCTURALLY NECESSARY

Without Oman/Qatar, both parties have dominant strategies to defect — Nash Trap (-1,-1). The mediator shifts the payoff matrix by providing information, credibility guarantees, and face-saving reframing so that Cooperation (+3,+3) becomes individually rational for both parties.

MATRIX 3 — PROBABILITY-WEIGHTED OUTCOME SUMMARY

OUTCOME	US PAYOFF	IRAN PAYOFF	TRUMP DOMESTIC	MARKET REACTION	PROBABILITY
Negotiated Settlement ✓ (PREDICTED)	+2	+1	SELLABLE AS WIN	+4%	68%
TACO — US Swerves First	-2	+3	CREDIBILITY LOSS	-3%	20%
Escalation Spiral	-4	-3	ELECTORAL DAMAGE	-12%	10%
Unconditional Surrender (Iran)	+5	-5	MAXIMUM WIN	+8%	2%

Impatience as Structural Weakness: Discount Rates and the Capitulation Trigger Hierarchy

MATRIX 7 — RUBINSTEIN BARGAINING (Surplus Split by Discount Rate)

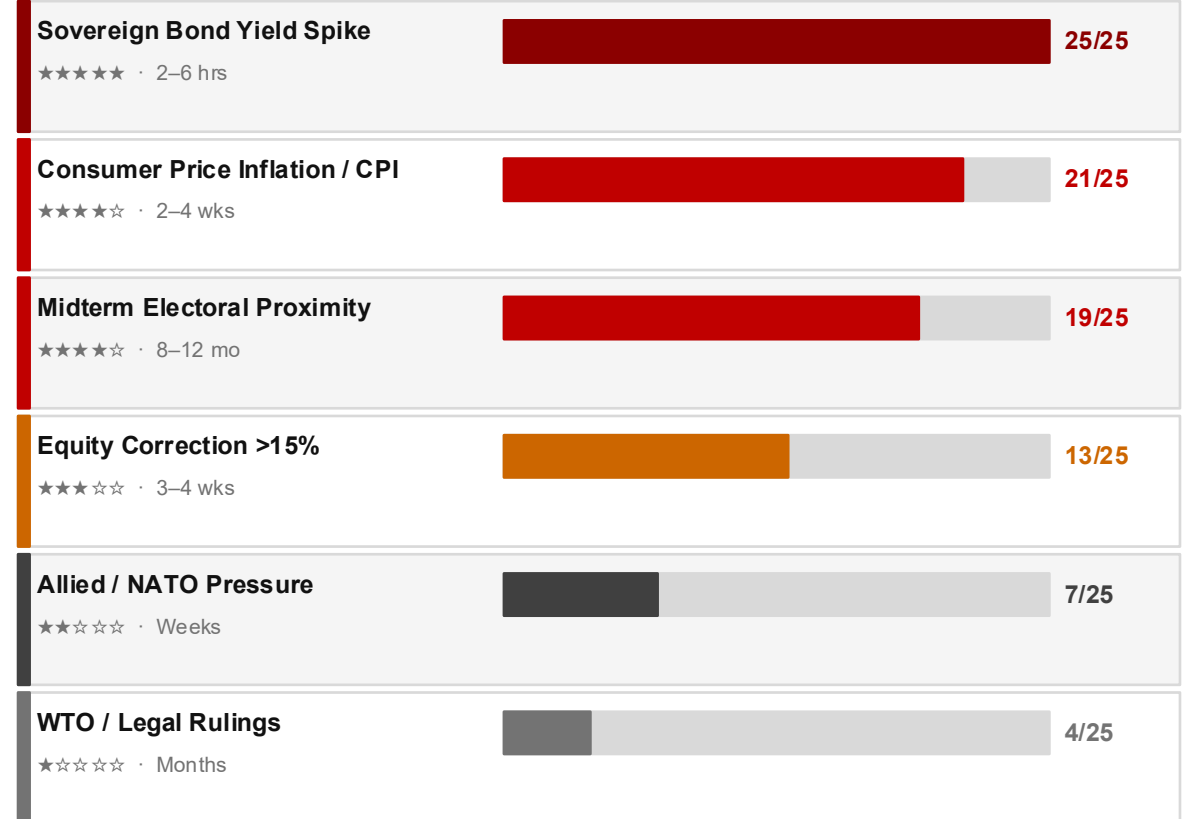
SCENARIO	US δ	IRAN δ	US SHARE	IRAN SHARE
2018 T1 Trade War	0.55	0.70	41%	59%
Apr 2025 Liberation Day	0.20	0.75	25%	75%
2026 Iran War — Baseline	0.15	0.80	16%	84%
2026 — Oil Shock Scenario	0.05	0.80	6%	94%
Hypothetical Patient US	0.80	0.80	50%	50%

Formula: $US\ share = \delta_{Iran} / (1 + \delta_{Iran})$ · More patient party captures larger share

KEY STRUCTURAL INSIGHT

Trump's effective discount rate ($\delta \approx 0.15$) gives Iran a structural 84% bargaining advantage regardless of military outcome on the ground. Patience is Iran's dominant strategy. The bond market is the clock.

MATRIX 8 — CAPITULATION TRIGGER HIERARCHY (Multi-Factor Sensitivity Scoring)



MATRIX 9 — TIME-TO-CAPITULATION (Trigger Combination Cross-Reference)

TRIGGER COMBO	ISOLATED	BOND + OIL	BOND + OIL + ELECTION
T1 2018–2020 Baseline	45–90 days	15–30 days	7–14 days
T2 2025–2026 Compressed	7–30 days	6–48 HRS	6–24 HRS
Iran War 2026 (Predicted)	N/A (mil.)	7–14 days	24–72 HRS

Iran War Endgame: Probability-Weighted Outcomes and Structural Prediction

MATRIX 11 — PROBABILITY-WEIGHTED IRAN WAR OUTCOMES (AW LAB 45 Assessment)

SCENARIO	TRIGGER	TIMELINE	TRUMP DOMESTIC	IRAN OUTCOME	PROB.
NEGOTIATED SETTLEMENT ★ BASELINE Enrichment halt + framed as 'MIGA'	Oil shock + sovereign bond yield spike	45–90 D	HIGH Sellable win	Preserves state structure; nuclear cap only; IRGC accountability framework	68%
RAPID CEASEFIRE 6-hr Liberation Day mirror	Brent >\$140 + 30-yr yield >5.5%	7–14 D	MEDIUM Credibility gap	Minor concessions; Iran stronger position; TACO confirmed globally	20%
PROLONGED WAR Electoral pressure overrides bond signal	Midterms + public opinion + gasoline crisis	>90 D	LOW Electoral damage	Attrition; new Supreme Leader consolidates domestic position	8%
ESCALATION FAILURE Ground troops / nuclear threshold	Catastrophic signal failure	Variable	VERY LOW Crisis	Regional conflagration; \$200+/barrel; Hormuz closure	4%

MATRIX 10 — COMPARATIVE CYCLE: TRADE WAR vs. IRAN WAR (Game Theory Mechanism Mapping)

CYCLE PHASE	T1 TRADE WAR 2018–2020	T2 APR 2025	IRAN WAR 2026 (Predicted)	GAME THEORY MECHANISM
Opening Position	'Most important day' 25–50% tariffs	'Liberation Day' 10–50% all nations	'Unconditional surrender' Iran War launch	Extreme Anchoring (Bargaining theory)
Critical Threshold	Bond market stable — no threshold hit	10-yr → 4.5% THRESHOLD HIT in 6 hrs	Brent >\$120 + 30-yr >5.5% (predicted)	Nash Equilibrium Violation (continuation dominated)
Off-Ramp Mechanism	Mnuchin bilateral negotiations	Bessent elevated; Navarro sidelined	Oman/Qatar mediation; Witkoff/Rubio lead	Focal Point Coordination (Schelling mediator)
Reframing Template	'Historic Phase One deal' China wins most	'Protecting consumers' China to 30%	'Iran begging to talk' Enrichment halt only	Audience Cost Minimization (face-saving fiction)
Capitulation Speed	45–90 days per episode	6 HOURS after bond break	30–60 days baseline; 6–48 hrs oil shock	Rubinstein Discount Rate (impatience)

The Bond Market Is the Decision Variable

01

CHICKEN GAME

Strategic Interaction

Both parties choose Hold or Swerve. Iran's Supreme Leader selection removes Swerve — commitment device. Predicted equilibrium: Swerve/Swerve — Negotiated Settlement (68%).

02

PRISONER'S DILEMMA

Cooperation Structure

Without Oman/Qatar as mediator, both parties defect by dominant strategy — Nash Trap (-1,-1). Gulf mediation is not optional; it is structurally necessary to achieve (+3,+3).

03

SIGNALING GAME

Information Structure

Babbling equilibrium reached by 2026. $P(\text{Trump}=\text{Hawk}) \approx 0\%$. Iran's optimal response is Hold Out regardless of signal intensity. TACO is a mechanical decision rule.

04

RUBINSTEIN BARGAINING

Impatience

Trump's $\delta=0.15$ vs Iran's $\delta=0.80$ gives Iran 84% of negotiated surplus. The bond market collapse accelerates Trump's discount rate toward zero. Patience dominates.

CONVERGENT PREDICTION ACROSS ALL 4 FRAMEWORKS

Trump will seek an exit from the Iran War on the same structural timetable as every previous coercive episode. The bond market is the decision variable. Iran's optimal strategy is patience. Oman/Qatar constructs the face-saving fiction. The outcome is Pareto-suboptimal — and both sides will call it a victory. Baseline timeline: 30–90 days.

30–90 DAYS

Predicted War Termination Window

68%

Probability of Negotiated Settlement

84%

Iran's Bargaining Share (Rubinstein)

~0%

Trump Hawk-Type Probability (2026)