Context Inference and Prosocial Behavior

Bruno Lanz* Hiroaki Sakamoto†

This version: October 2026

Abstract

Policies often combine monetary incentives with appeals to social purpose on the premise that two reasons to act are better than one. We propose a mechanism explaining why this combination can undermine their effectiveness. Individuals infer whether an activity is transactional or prosocial from policy-induced cues. When these cues conflict, intrinsic motivation is only partially activated, while self-image concerns continue to distort effort. We formalize this mechanism in a model and test its predictions in a real-effort experiment in Switzerland that independently varies monetary rewards and the carbon abatement generated by effort. We find that monetary incentives and prosocial consequences interact subadditively, with responses to conflicting cues differing sharply across prosocial identities. Introducing a prosocial purpose into an incentivized task increases effort among individuals with weak prosocial identities but reduces it among those with strong prosocial identities.

Keywords: policy interactions; context inference; prosocial behavior; real-effort experiment; climate change

JEL Codes: D64; D91; D83; Q54; C93; H23.

*Department of Economics and Business, University of Neuchâtel, Switzerland; Center for Integrative Risk Management and Economics, ETH Zürich, Switzerland; Center for Energy and Environmental Policy Research, Massachusetts Institute of Technology, USA.

†Graduate School of Economics, Kobe University, Japan.