Abstract: The threat of loss of the afterlife as punishment for sin is a fundamental tenet of nearly all religious traditions. Most religions also contain a notion of redemption, or forgiveness of sin, but they differ as to whether or not redemption requires atonement, or penance. The possibility of redemption allows sinners to be rehabilitated, but in so doing potentially undermines the incentive for them to refrain from sin in the first place. We show that a properly calibrated form of penance as the “price” of redemption can both deter people from committing early sins, and provide an incentive for those who have previously sinned to refrain from committing further sins. In other words, it achieves marginal deterrence. Such a system requires strong belief in the afterlife. When belief is moderate, we show that a regime of free redemption may be optimal. We conclude by examining the implications of the analysis for the Catholic Church’s practice of selling redemption (indulgences), and the Protestant doctrine of Predestination, which was in part a reaction to the Church’s “commodification” of redemption.

Key words: Redemption, penance, crime and punishment, marginal deterrence

JEL codes: K14, Z12

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