Religious identity not only defines group boundaries but also imposes costs on members. We examine the strategic role of costly religious sacrifice and stigma. Strict religious clubs are defined by costly entry requirements and participation rules, including stigmatizing forms of dress, speech and diet. In the canonical model (Iannaccone 1992), these prohibitions and proscriptions are designed to solve incentive problems associated with collective production by (1) screening out non-cooperators and (2) inducing substitution from outside activity to group activity. Recent research identifies three new strategic functions of religious costs: (3) social sorting, (4) religious commitment, and (5) cultural resistance. This produces new explanations for exotic religious beliefs, oppositional religious identity, political mobilization by religious groups, and religious radicalization. All strategic functions of religious sacrifice are examples of the theory of the second best.