Nationalism has often arisen in a context of perceived deprivation in which power-holders are unresponsive to pleas for changes in the structure of political and economic power. The Nigerian state had experienced a devastating civil war that accounted for the loss of over a million lives between 1967-70, yet the issues that led to that war, still resonate and stares the nation in the face several decades after. Efforts by successive Nigerian leaders to create a national identity and foster unity among the diverse population of the country have remained a mirage. The friction, which were largely repressed by the military dictatorship found expression following the return to democracy in 1999. The reason being that, it is unlikely that government will succeed in deliberately manipulating identities unless the new identity offers some reward, not materially, at least psychologically. The surge in ethnic conflicts, both of old and new forms fundamentally question the approach of the government in nation building. The paper looks at this new conflicts and the fierce ethno-nationalist assertiveness that challenges the legitimacy of the Nigerian state. It explores the word of Lipset that “loyalty to the system must be attained through developing in the various groups a conviction that the new government (governments in general) the best, at least an excellent way to accomplish their (groups) objectives. The paper attempted to answer the question, whether this new ethno nationalist assertive thrust is progressive or retardation to nation building in the Nigerian context. There is no question that ethnicity has potential that can be used or exploited for various causes, some positive, some negative. When political institutions adequately harmonize the interest of diverse groups, diversity contributes positively to political stability and economic growth and development. On the other hand, failure of institution to deal adequately
with diverse interests results in political instability, civil strife and economic stagnation. It concluded that appropriate institutional arrangement must guarantee the rights of the people to maintain the identity, while at the same time freely choosing to form associations with others for the purpose of accomplishing common ends