Studies of power parity and conflict implicitly assume all balanced dyads are created equal. However, variation exists within the capabilities of the states in these particular dyads. I address the question of what affects the likelihood of conflict onset within relatively balanced dyads. I argue uncertainty – in particular the uncertainty of the expected costs of conflict – determines the likelihood of conflict among these dyads. More uncertainty of costs means a greater likelihood of miscalculation leading to bargaining errors. First, I argue as an opponent’s capabilities increase, uncertainty of costs increase and the likelihood of conflict increases. Second, military action serves a purpose in bargaining and can help reduce uncertainty by signaling a state’s willingness to inflict and endure costs in order to gain a better settlement. Third, information transmission is likely to be effective only when states have the capability to inflict significant costs. As such, while greater capabilities will lead to a high likelihood of conflict onset, they also lead to a reduced likelihood of conflict escalation. The testing of non-directed dyads from 1946 to 2001 supports the theory’s implications.