

Common Value Auctions with Bid Solicitation

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ABSTRACT

A buyer seeks to procure a service and solicits bids from sellers. The cost of the service depends on characteristics that are only known to the buyer ("common values"). The buyer can choose how many bids to solicit and the number of solicited bids cannot be disclosed verifiably. We characterize equilibrium. We show that there are potentially important differences between a standard common values procurement auction with a fixed number of bidders and a common values auction with endogenous biddership. The model can alternatively be interpreted as an asymmetric information variation of the simultaneous search model by Burdett and Judd (1983).