Four Types

There are actually four types of forward auctions:

* English auction
* Dutch auction
* Japanese auction
* Yankee auction

English

The **English auction** is like the one above where an item begins with a minimum price and goes up from there. This is the most common type of auction that you'll come across. In everyday speech, when people say 'auction', this is what they are referring to.

Dutch

The Dutch auction works a bit differently. With a **Dutch auction**, the bid begins at an extremely high price. It then drops from there until an acceptable buying price is reached. You won't see this type of auction as often. This is often used for perishable items like veggies and flowers, but companies use it for IPO bids as well, and some countries use it to sell securities.

An example of a Dutch auction could be for a big box of farm veggies. The beginning price is $300 for the whole box. It drops to $250, $200, $150, and then $100 when a buyer finds the price acceptable.

Japanese

In a **Japanese auction**, the price keeps going up in specific and regular increments until one bidder is left. Instead of raising your hand to bid, you raise your hand to drop out when the price is too high for you. The last bidder remaining wins the auction.

Yankee

A **Yankee auction** is similar to the Dutch auction except instead of a single item, it is now a whole lot. For example, instead of a single car, you are now bidding for a whole lot of 500 cars! Each bidder writes down his or her highest bid he or she is willing to pay for the whole lot. The one with the highest wins the entire lot.