

## The Essence of Organizing Auctions and the Legal Aspects of Their Historical Development

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**Abstract:** This scientific article provides an in-depth analysis of the legal nature of organizing auction sales, their historical evolution, and the modern foundations of legal regulation. It highlights the early forms of the auction institution, their impact on economic and social relations, as well as the directions of development at various stages. In particular, the article thoroughly examines the legal and regulatory framework for organizing and conducting auction sales in the Republic of Uzbekistan, the introduction of the electronic auction system, current practical challenges, and mechanisms for their resolution. Based on the research findings, scientifically grounded proposals and recommendations have been developed to further improve auction-related legal relations.

**Keywords:** Auction sales, legal regulation, electronic auction, trade institutions, regulatory and legal framework, legislation of Uzbekistan, property rights, economic relations, trading mechanisms, legal evolution.



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### INTRODUCTION

An auction is a special method of selling goods, services, or property, in which the most favorable price is established in an open competitive environment among buyers. The main legal essence of auction sales is to ensure the interests of the transaction parties by offering property or services in an open, transparent, and competitive environment. In many existing regulatory legal systems, auctions are recognized as an important institution of the market mechanism.

In recent years, the economic efficiency of auction sales has been increasing on an international scale. For example, according to 2025 reports, the total volume of the global auction market exceeded 25 billion US dollars. The housing auction market is showing particularly notable growth rates - forecasts suggest that the trading volume in this sector will reach \$12.35 billion by 2027 (WebFX, 2025). These global statistics clearly demonstrate the role of auction mechanisms in a market economy and the necessity of improving the legal framework. Furthermore, the fact that 31 percent of open auctions are attributed to the USA indicates the high level of development

of auction institutions in this country. This affirms that the USA is a leading country in organizing auction sales.

The introduction of the electronic auction (e-auction) system in the Republic of Uzbekistan has become a crucial step in ensuring the transparency and effectiveness of auction sales, as well as facilitating the participation of citizens and business entities. Although in its initial years this system operated on a relatively small scale, statistical data observed in recent years indicate that the system is developing steadily.

In particular, according to the results of the e-auction platform's first year of operation, the annual sales volume amounted to 42 billion soums. However, due to increased interest in the system, growth in the number of users, and the development of an auction culture, this figure exceeded 2.3 trillion soums in the first 11 months of 2021. This indicates that the growth rates achieved in just a few years were remarkably high.

Furthermore, over the past three months, properties worth more than 1 trillion soums have been sold or leased through the e-auction platform. This demonstrates that the platform's economic impact is rapidly increasing in a short period.

Throughout 2024, several other important indicators were recorded in the e-auction platform's activities. Specifically, more than 6.1 million users visited the system during the year, and 408,655 individuals and legal entities actively participated in electronic auctions and competitive bidding. Additionally, during this period, 289,706 lots with a total value of 35.6 trillion soums were offered for electronic trading.

These statistical indicators confirm the economic efficiency of the electronic auction mechanism in Uzbekistan and its development in harmony with the regulatory framework. At the same time, these figures also reveal the need for further improvement of electronic trading and the expansion of opportunities for its utilization.

This data shows that auctions occupy a significant portion of world trade. Due to the conveniences offered by electronic auctions, auction trading is expected to become even more popular in the future. This further increases the importance of understanding the essence of auction trading and studying its development trends. The essence of auction trading lies in its nature as a trading method conducted according to pre-established rules, where buyers compete with each other for the right to purchase goods or property. The main goal of an auction is to sell at the highest price for the seller while creating a transparent and fair trading environment for buyers.

Based on this, this article analyzes the legal essence of auction trading, its historical formation and evolution, the specific features of modern electronic auction systems, and their impact on economic relations using a systematic approach. In particular, the regulatory legal acts governing auction trading in the Republic of Uzbekistan, the activities of the "E-auksion" electronic platform, existing problems, and mechanisms for their resolution will be thoroughly examined. The article concludes with the development of relevant scientific and practical recommendations for further improvement of the legal framework for auction trading.

## **DISCUSSION AND RESULTS**

Since the emergence of trade, numerous selling methods have existed. An auction is one such type, the essence of which is to sell a unique or particularly valuable item to the highest bidder among potential buyers. According to researcher Yibing Jiang, "Auctions provide people with a way to connect with unique products that they cannot find in a regular store. By using auctions, sellers can sell their goods at higher prices, while buyers have the opportunity to purchase the items they desire."

Almost everything can be offered at auction: land, real estate, automobiles, priceless paintings, and even household items. One of the unique features of auctions is that prices for goods are set not by sellers, but by competing bidders. Auctions have a long history, with primitive forms first appearing in ancient Greece, and then in the Roman Empire. Over time, auction trading has evolved. Dedicated venues were built specifically for holding auctions. Additionally, the sale of significant items at auctions increased public interest. As a result of its development, more than five types of auctions have emerged today: English auction, Dutch auction, first-price auction, and silent auction. Recently, online auctions have appeared, allowing for remote buying and selling. In Uzbekistan, auctions have reached the highest stage of development, with online auctions being organized on the e-auction platform.

The concept of auction emerged in Babylon around 500 BC, playing a crucial role in managing and distributing resources and assets for the Babylonians. The Greek historian Herodotus documented these early auctions, emphasizing their social significance. In Babylon, auctions were used to sell women into marriage, reflecting the social and economic strategies of the era. The most attractive women were put up for auction first and sold to the highest bidder.

In the Roman Empire, the term "Atrium Auctionarium" was used for auctions. War spoils and other valuable treasures were sold at these auctions. A spear stuck in the ground signaled the start of an auction, indicating the official nature of the process. In Roman law, under the name "venditio sub hasta" (selling under a spear), legal norms were established that defined the auction process, including the rights and obligations of both sellers and buyers. The most astonishing auction in Roman history took place in 193 AD when the entire Roman Empire was put up for auction following the assassination of Emperor Pertinax. This event demonstrated that not only everyday goods but also vast territories could be auctioned.

In the next stage of auction development, candle auctions emerged. This method was used until the 18th century. In the candle method, bids are accepted until the candle burns out. The item is sold to the last bidder before the candle extinguishes. The English writer and sailor Samuel Pepys noted in his diary: "November 6, 1660 - met with everyone in our office to sell two ships by inch of candle. (It was the first time I had seen such a thing)." The Oxford English Dictionary first mentions auctions in 1595, indicating the growing importance of the term in the English language and commerce. By the end of the 1600s, auctions were regularly advertised in the London Gazette, with many taking place in coffeehouses around London. An important milestone in formalizing auction practices was the establishment of the world's oldest auction house - Stockholms Auktionsverk - in 1674.

In medieval Europe, auction rules were established by city mayors, and auctioneers paid taxes to them for conducting auctions. In England, the "Auctioneers Act" was first adopted in 1845, regulating the activities of auctioneers. It defined the licensing of auctioneering activities, as well as the obligations and responsibilities of auctioneers in conducting auctions. The development of auctions continued, and at the end of the 20th - beginning of the 21st centuries, a form of auctions based on mass media emerged. Television, radio, and print media played an important role in announcing auctions and increasing public interest and participation. The next stage in the development of auctions saw the appearance of online auctions. Online auctions developed in Europe in the late 1990s. The first auction trading platform was "eBay," which was established in 1995 in the USA. The initial legal basis for online auctions is the "Electronic Commerce Directive (2000/31/EC)," adopted by the European Parliament and Council on June 8, 2000. Although the term "electronic auction" is not specifically used, it defines the rules for e-commerce, the provision of electronic services, electronic advertising, and electronic signatures. This directive has been implemented into the legislation of other countries. Today, the number of platforms

conducting electronic auctions has increased, and the services they provide are expanding as a result of competition.

Unlike in Europe, Asia did not have formally regulated auctions conducted under specific rules. However, some elements of auctions were present in the markets. For instance, sellers would gradually increase the prices of rare products, selling them at the best price. Modern auctions in Asian regions began to emerge relatively recently, mainly in the late 20th and early 21st centuries, with the development of economic reforms and market relations.

Today, along with the development of auction trading, there are a number of pressing problems in their organization. One of the most common issues in global practice is collusion between participants. In such cases, auction participants deliberately agree to lower the final price during the bidding process, which harms the interests of the auctioneer and the seller. These actions contradict the principles of fairness and transparency in auction trading and are classified as "bid rigging."

In addition, the phenomenon of "shill bidding" is also recognized as a widespread problem. In this case, the seller or affiliated persons artificially create demand for their goods through fake accounts, which undermines a reliable competitive environment. In particular, with the rapid development of digital technologies in the field of online auctions, cybersecurity risks, fraud, and cases of art forgery are also increasing. The absence of a real auction environment on online platforms, that is, live excitement, leads to a decrease in the number of bids (Dynamica Auctioneers, n.d.).

From a theoretical perspective, the renowned economist **Vijay Krishna**, in his study "Auction Theory," analyzes various forms of auctions and emphasizes that an important criterion for sellers is revenue indicators, while for society it is the most efficient allocation of resources (Krishna, 2002). Additionally, the Revenue Equivalence Theorem, proposed by **Paul Klemperer**, allows for comparing the effectiveness of auctions (Klemperer, 1999). Based on these scientific approaches, in 1996 **William Vickrey** was awarded the Nobel Prize for his contributions in this field.

Analyzing these problems, proposing mechanisms for their elimination, and studying advanced international practices will serve as important factors in improving the auction system of Uzbekistan.

In Uzbekistan, the first auctions were conducted during the privatization of state property after gaining independence. The historical evolution of organizing auction sales began with Presidential Decree No. 1009 of November 24, 1994, "On Increasing the Efficiency of Land Use." This Decree permitted the sale of land plots through auctions, allocating up to 0.04 hectares for individual housing construction and up to 0.06 hectares for use in subsidiary farms. Since then, the practice of selling land at auctions has continued to the present day.

According to the Presidential Decree of March 15, 1994, "On Priority Directions for the Further Development of the Process of Denationalization and Privatization in the Republic of Uzbekistan," auctions were chosen as the method of privatization for state-owned enterprises that were not joint-stock companies. Properties mainly belonging to the spheres of trade, public catering, utilities, and consumer services were, as a rule, sold at auctions or on a competitive basis.

Since 2001, highly liquid goods have been sold at auction to foreign companies. For this purpose, a specialized organization called "Uzauksionsavdo" was established, which organized auction sales of cotton fiber, refined copper, rolled ferrous metals, and cottonseed meal products. The auction participants were exclusively foreign companies and firms, and based on the auction results, a contract was concluded with the winning participant for the supply of a specific volume

of products. However, this organization was liquidated in 2005 by a decree of the Cabinet of Ministers.

As a result of the development of digitalization in Uzbekistan, electronic online auctions have also been introduced. The "E-auksion" trading platform was established by the Decree of the President of the Republic of Uzbekistan No. PP-3149 dated July 27, 2017, "On Measures for Fundamentally Improving Procedures for the Sale of Property in the Execution of Judicial Acts and Acts of Other Bodies." On this platform, based on the aforementioned decree, auction sales for the realization of property in the execution of court decisions and acts of other bodies have been organized. Electronic online auctions are conducted using specialized software that enables participation via the Internet and eliminates interference in the procedures for accepting bids and determining the winner.

According to the Law "On Privatization of Non-Agricultural Land Plots," adopted on August 13, 2019, land plots will also be put up for auction through this platform. This platform belongs to JSC "Organization of Electronic Online Auctions" and currently conducts auctions for 31 types of lots. In accordance with the Decree of the President of the Republic of Uzbekistan No. PP-101 dated March 24, 2023, and the Resolution of the Cabinet of Ministers No. 526, the "E-auksionshop" electronic trading store was created. Through this platform, property confiscated for state revenue and 411 properties belonging to private owners were sold based on simplified auction principles for 5 billion 344 million soums. From this, it is evident that auctions are reaching a high level of development in our country. However, they are not as widespread among the general public as in Europe, and there are not many participants or private individuals who put their property up for auction.

In Uzbekistan's experience, there are also problems related to the legal aspects of auction sales. In particular, it has been discovered that in some cases, pre-arranged auctions are conducted within the framework of public procurement. In these processes, instances of auction manipulation occur where officials favor predetermined participants, leading to inefficient spending of the state budget. Additionally, there are problems such as the failure to communicate auction information to the broader public, technical malfunctions in the e-auction system, and the platform's inability to handle high traffic loads.

## **CONCLUSION**

Auction sales have served as an important means of economic exchange at various stages of human development. They have evolved in different forms, from the Roman Empire to modern digital trading platforms, and have now become a legally significant institution in international and national trading systems. As examined in the study, the essence of auction sales is based on the principles of transparency, competition, and equality. Moreover, the stages of their historical development have been closely intertwined with socio-economic relations and technological progress.

The emergence and widespread use of electronic auctions at the present stage contributes to the democratization of the auction process. However, this process also raises a number of legal and technical problems. In particular, pre-arranged bidding, "shill bidding," technical malfunctions, and cyber threats are among the problems inherent in modern auction systems. It is also necessary to carry out work on improving the legal regulation of these issues in national legislation.

Based on this, the article systematically examines the historical roots, theoretical foundations, and current legal problems of auction trading, and proposes scientifically-based ways to improve this institution in national legislation. This conclusion will serve to effectively organize auction trading from a legal perspective in the future.

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