

# Forecasting and Empirical Model Selection

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## Abstract

Many criteria are available for empirical model selection. In the forecasting literature, the mean square forecast error (MSFE) is commonly used. The first paper, Ericsson (2008, *Capitalism and Society*), illustrates how MSFEs can mislead when comparing model forecast performance. The second paper, Ericsson (2009), assesses the empirical merits of PcGets and Autometrics---two recent algorithms for computer-automated model selection---using them to improve upon models of Australian inflation by de Brouwer and Ericsson (1998). The selected model is an economically sensible and statistically satisfactory error correction model, in which short-run dynamics differ markedly from the long run. Algorithmically based model selection complements opportunities for the researcher to contribute value added in the empirical analysis. The role of such models in forecasting is then considered.