[The Regional Keynesian Cross]

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We study the transmission of monetary policy across space in a heterogeneous agents New Keynesian (HANK) model of a monetary union. Using sequence-space methods, we derive the regional Keynesian cross: a characterization of the response of local employment to unexpected changes in interest rates along two dimensions of spatial heterogeneity: (i) openness to national trade and (ii) intertemporal marginal propensities to consume (iMPCs). At the core of our mechanism is an equilibrium complementarity between these two channels, which we validate in the data. We provide an aggregation result and derive the national Keynesian cross that summarizes the role of the joint distribution of regional iMPCs and trade openness across space for the nation-wide response to aggregate shocks. We provide empirical support for our theory using detailed county-level data and identified monetary surprises for the United States. Our main result is that the joint regional distribution of county-level openness to national trade and iMPCs is crucial for the amplification of monetary shocks and the potency of fiscal stabilization policies.