An international economist says Spain's possible economic failure can lead to the collapse of the whole Eurozone bloc.

Press TV has talked with international economist with Fundacion Alternativas, Manuel De La Rocha from Madrid to further discuss the issue.

The show also provides the opinions of two additional guests, CEO of Bank of the Future, Simon Dixon, from London and also Larry Birns, director of Council on Hemispheric Affairs from Washington.

The following is an approximate transcript of the interview.

Press TV: Well, let us refer to the bank crisis, Manuel De La Rocha, wasn't it made worse by austerity measures introduced last year in the absence of what has been called a comprehensive growth plan? I mean why weren't austerity cuts paralleled with the growth plan?

Rocha: Well, that is a very good question. I mean, I think the reason is because in Europe there seems to be some focus and obsession with austerity measures from the mental and final objectives of all the policy [policies], economic policy of every government and while I agree that, you know, there needs to be some plan to reduce debt levels in European countries.

Doing so at the same time in such a strict way at the same time as the economies are getting pretty much stagnant or in actual recession what it's doing is making things worse.

Because in a situation where consumers, households are not consuming and companies are not investing, if government retentions even farther and in such an accelerated pace and throughout Europe at the same time what we are seeing is that we are making things worse.

And it is very difficult to reduce the deficit and obviously debt levels will never be reduced and ultimately the result is more recessions, so I do not see how these austerity measures by themselves can get us out of this situation.

Press TV: Simon Dixon talked about these low interest rates Manuel De La Rocha, now the report by the European Central Bank (ECB) has criticized, there is a report that has criticized it, it claims that it helped quell the recovery by increasing interest rates for banks, refinancing twice in 2011 making it harder for them to lend to governments as well as consumers and companies in the real economy.

How much increasing banks interest rates do you think are responsible, perhaps for stifling the recovery?

Rocha: Well, I do not think that is the key issue, I mean the high level of the interest rate as they are today, I mean I think the problem at least as far as the Eurozone is concerned and mainly some of the peripheral countries certainly in southern Europe but the problem is that a lot of these banks are having real difficulties in their balance sheets.

I mean they are loaded with bad loans from the housing bubble and what we see in countries in southern Europe which is what is really stealing the recovery, is that banks are not lending and I think the European Central Bank has done a good job in this first last few months by their injection of liquidity the auctions of about over five hundred billion Euros.

But unfortunately what we saw is that the banks have taken this cheap liquidity and they have bought government bonds, some of them but they are not lending out to the economy.

So we are in…, and mainly because they have to deliberate… and you know there are new Capital requirements for them, very stringent and they are in a very difficult situation.

So unless stronger and more forceful measures are taken at the European level to clean the banks' balance sheets, they will not lend. I think the problem is that they have very bad loans in their balance sheets.

Press TV: When we look at both sides of Atlantic, Manuela De La Rocha, we are seeing one of the key figures, many of it is key, but one of them is the unemployment, steady in the US; looking at the UK, their unemployment rate is still probably one of the highest that it has had, why is it that they are not able to decrease that?

Does it have to deal with the government's lack of planning behind what we discussed earlier and that is bearing some kind of the growth whether it is from the manufacturing down to consumer confidence?

Rocha: Well, certainly. I mean here the key is the lack of growth, I mean unless the economy recovers and gets back to robust growth figures, it is very difficult to see, you know, job creation.

In the case of the UK and the US, they are coming from the housing and construction bubble and they need to see resources, the economy needs to see resources into other sectors which are growing and then that takes some time.

In the case of the Eurozone what we are seeing is that many countries are not only, not generating new jobs but in fact they are destroying new jobs. So here the key is growth and there should be more focus from the governments to job creation and economic growth.

Whereas it looks like all the priority is based on austerity under the assumption, in my opinion false, that once the debt and deficit levels come down, then the financial markets will regain confidence and by then they will start lending banks and financial operators will start lending again and confidence will make economy grow, but my point is that you cannot create jobs by just using austerity measures.

I mean you are giving such a hard medicine to this ill patient that you can end up killing it and we do not see the end of the tunnel and so I would advocate for a complete change of course more in the lines of the policies followed by the United States these days.

Press TV: Let me ask my guest Manuel De La Rocha, since he is from Spain, what do you think about Spain's Treasury Minister Cristobal Montoro who said "Spain is in an extremely fragile moment."

We know How Spain has been, in the headlines regarding what is going on, with their economy.

Rocha: Well, I mean, I think that it only reflects the reality of a situation, the fragility of the whole Eurozone economic crisis whereby we have had rescues of countries like, such as Portugal, Greece and Ireland, but unfortunately Spain seems to be next in line but unfortunately Spain is too weak to be rescued.

So you see if Spain falls, it would look like the whole Euro project would fall apart and that would have massive implications.

The Spanish government is just following by the heart and on later the policy direction that has been set out in Brussels and in Berlin and unfortunately there is not much they can do because most of the solutions of the Spanish crisis lie out of the control of the Spanish government, they are in Brussels and in Berlin.

So they need to build coalitions with Nerlin,with Italy, with the government of [Incumbent Italian Prime minister, Mario] Monti, maybe with [French Presidential candidate] François Hollande if he wins the upcoming election to put growth on employment in the front of this Agenda and change some of the policies that are taking place in Brussels and really build an economic governance for the Euro-zone, so that the European Central Bank can start taking policy decisions in the same way as the Federal Reserve or the Bank of England barrs to protect its own currency so that we would not have speculators against the Euro … .

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