The Internet and American Business

edited by William Aspray and Paul E. Ceruzzi

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“Happy families are all alike; every unhappy family is unhappy in its own way.” This famous opening line of Anna Karenina, suitably modified, might apply also to the study of the Internet and its influence on American commerce. It is relatively easy to describe the shared characteristics of those markets and industries that have readily embraced Internet technologies. We can do so using the seemingly imperative logic of economic rationality: reduced transaction costs, efficient distribution channels, disintermediation, and economies of scale and scope. Understanding why some users and industries might resist the Internet, or at least adopt it reluctantly or selectively, is more difficult. It requires us to consider a much larger, more complex, and often idiosyncratic set of motivations, rationales, and structures. Which brings us back to Leo Tolstoy: although we can fruitfully generalize about the reasons that the Internet has succeeded, its failures require us to tell more particular stories about specific industries, professions, and users.

Of course, talking about resistance to the Internet in terms of failure is misleading. There is a constant temptation when studying the adoption of new technologies to categorize potential users as either sages or Luddites—those who have the foresight and courage to embrace new technologies, and those who do not. Such simplistic dichotomies are rarely intellectually productive. The dismissal of reluctant users of technology as being ignorant, recalcitrant, or backward is a rhetorical strategy, not an analytic device. Recent scholarship in the history of technology has shown that most users respond selectively to new technologies, embracing those aspects that they find appealing or useful, and rejecting those that they do not. In fact, the study of resistance, rejection, and other so-called failures is often a most valuable tool for understanding the larger process of technological innovation: the negative response of users to new technologies often reveals the underlying assumptions, values, and power relationships that are embedded in those technologies.

All this being said, however, the rapid and widespread adoption of the Internet in the past decade, its seemingly ubiquitous presence in American business, and the apparently inexorable march of Moore’s Law toward smaller, less expensive, and more
powerful computing makes talk of reluctance and resistance seem quaint as well as irrelevant. Perhaps there are a few groups that are not yet regularly online—the poor, the elderly, or the technophobic—but the Internet is clearly becoming the dominant infrastructure for communications, commerce, and recreation. As James Cortada has suggested, for any business not to have a Web presence or e-mail address in today’s economy would be like not having a Yellow Pages listing a decade ago.5 There might be a few holdouts, but the vast majority of businesses are either online or have plans to be.

And yet even within a commercial landscape that has undeniably been transformed by Internet technology, we can identify not just pockets but vast territories in which reluctant users have successfully resisted technological innovations. In this chapter, I will explore three major industries or industry groups in which the Internet has had limited or unexpected influence. These include the health care industry, higher education, and what I am calling indispensable intermediaries. These are not insignificant industries; health care, for example, is a $1.7 trillion industry that absorbs almost 15 percent of the American gross domestic product. Among my indispensable intermediaries are included such sales and service industries as automobile dealerships, residential real estate, and fashion retailing. My point is not that the Internet has had negligible influence on these industries but rather that its influence has been highly mediated by the actions of reluctant users. These users have not rejected the Internet altogether but instead have adopted it selectively. University professors, for instance, have embraced e-mail, which serves their purposes well, and fits neatly into established patterns of work and authority. On the other hand, they have proven extremely reluctant users of Web-based instructional technologies, which threaten their traditional control of the classroom environment. Physicians, by contrast, regularly make use of the Web for research and educational purposes, but have rejected e-mail in the context of their professional practices.

So what makes physicians like real estate brokers like automobile manufacturers like university professors? It is not entirely clear. Like Tolstoy’s unhappy families, it is not their similarities but their differences that make them interesting and deserving of further study. By reflecting on the ways in which idiosyncratic professional, economic, and legal concerns shape the responses of these various groups and industries to emergent Internet technologies, I hope to introduce additional nuance and historical specificity into a conversation that has long been dominated by technological or economic determinism.

The E-Health Revolution

Telemedicine. Telehealth. Health informatics. Interactive health communications. Electronic medical records. E-health. From the late 1950s to the present, these various
efforts to effectively integrate electronic computing and communications technologies have captured the imagination of visionaries, entrepreneurs, health care benefits managers, insurance companies, hospital administrators, public health officials, and government agencies—and to a lesser extent patients and physicians. The appeal of these systems appeared self-evident to their promoters. Telemedicine would extend the reach of physicians and specialists into rural or otherwise-underserved areas. Expert systems promised to standardize medical practice and encourage better-informed decision making on the part of physicians. Interactive health communications tools could be used to educate patients, promote healthy behaviors, and manage the demand for health services. Health informatics, electronic medical records, and other forms of computerized medical data processing would increase efficiency and lower costs through the enhanced oversight of practices, spending, and costs. And electronic communications networks would improve the quality of medical care for all by making possible vastly improved data sharing between patients, physicians, benefits providers, and medical researchers. Although each of these individual initiatives attracted some attention and garnered some successes, it is safe to say that prior to the 1990s these broader goals of integration, efficiency, cost reduction, and improved access and care had not been achieved through the introduction of new computing and communications technologies. In recent years, however, the emergence of the Internet as a low-cost, high-speed, and widespread electronic communications infrastructure has prompted a resurgence of interest in medical computing. In fact, in the heady days of the late 1990s, no industry seemed as amenable to Internet-based transformation as the U.S. health care industry. Not only was health care the single-largest industry in the United States—$1.5 trillion in 1996 alone, as Wall Street analysts were fond of reminding potential investors—but it was also “the ultimate knowledge business.” Many of the most significant problems facing the industry were perceived to be informational in nature. As much as one-third of the spending in health care was believed to be wasted shuffling paper between patients, providers, and third-party payers—waste that could be neatly eliminated by making such transactions electronic. In addition, the combination of increasing costs, an aging population, and an apparently worsening shortage of nurses and certain medical specialists seemed to demand a more efficient allocation of scarce resources.

Under the broad umbrella of e-health, many of the earlier visions of telemedicine and health informatics have been resurrected as e-mail or Web-based services. E-health systems would allow physicians and nurses to perform remote consultations, manage patient records, and process benefits claims via electronic clearinghouses. Inexpensive Webcams and digital cameras would be used to make high-quality specialist care available to the homebound, isolated, and poor. Patients would be able to access health-related information and records, communicate with physicians via e-mail, participate in online support groups, and use the Web to make appointments, refill
prescriptions, and purchase health care products. Within a “few years,” the economies of scale of the Internet would ensure that “every physician will choose to connect his or her office to a community health information network based on the World Wide Web.”

By the turn of the twenty-first century, it appeared that an Internet-based transformation of American medicine was desirable, imminent, and inevitable. The rapid expansion of the Internet into other areas of life and commerce were cited as precedents for a similarly rapid shift toward e-health services; as one representative editorial in the New England Journal of Medicine predicted, “On-line, computer-assisted communication between patients and medical databases and between patients and physicians promises to replace a substantial amount of the care now delivered in person.” Physicians would use e-mail to treat common diseases and would provide highly customized Web-based services to patients. Some of these services would be offered by their in-house staffs, and some by partnering with external dot-com providers. Following this compelling dream of improved, efficient, and consumer-oriented health care, venture capital funding in health care in the late 1990s shifted rapidly toward Internet-based services, rising from $3 million in the first quarter of 1998 to $335 million by the fourth quarter of 1999. In that year more than twenty-one e-health start-ups went public—including Netscape founder Jim Clark's Healtheon, whose initial valuation topped $1 billion. Clark predicted that within a few years Healtheon would control $250 billion of the $1.5 trillion health care industry.

And yet despite massive investment in e-health initiatives by private firms, government agencies, and even medical professional societies, the e-health revolution has been slow in coming. The predicted convergence on Web-based standards for the coordination and exchange of medical records, laboratory results, billing information, and patient outcomes has not happened, nor has the widespread use of digital cameras or videoconferencing for patient monitoring. This is not to say that the Internet has had no effect on health care practices. Eight out of ten Internet users have accessed health information on the Web. The health information portal WebMD.com received eleven million unique hits in January 2006 alone. Of those who have used the Internet to gather medical data, almost 12 percent (seventeen million) report that the Internet played a crucial or important role as they helped another person cope with a major illness. More than 97 percent of physicians use the Internet, many on a daily basis, for clinical research and communication. In 2004, more than 423,000 physicians went online to pursue continuing medical education credit.

Nevertheless, the overall influence of the Internet on medical practice has been remarkably—and quite unexpectedly—limited. With the exception of information gathering, prescription refilling, and the occasional purchase of health-related equipment, most patients do not, and cannot, access traditional medical services online. Many of the early entrants into the e-health arena died in infancy or went bankrupt,
with the few survivors being forced to dramatically adjust their business plans to accommodate more traditional patterns of patient-physician interaction.

Why the slow and fitful adoption of Internet technologies in one of the nation’s largest and most information-centric industries? The answer to this question is almost as complex as the health care industry itself, and illustrates the many ways in individual technological innovations, even one as seemingly ubiquitous and powerful as the Internet, cannot be fully understood outside the context of their larger sociotechnical environment. The short answer, however, is that physicians, seemingly one of the principle beneficiaries of e-health initiatives, have proven reluctant to adopt them as a tool for interacting with, diagnosing, or monitoring patients.

The evidence of this reluctance is undeniable. The majority of physicians do not provide even basic clinical services or even the means of scheduling appointments over the Internet; fewer than 6 percent of all patients have reported ever having communicated with their doctor via e-mail (a figure that has remained remarkably unchanged over the past decade). Of the 34 percent of physicians who do have a Web site, the vast majority of these sites are little more than “online business cards.” Only a small number of institutions support “telemedical” technologies for monitoring or follow-up care. The up-and-coming health care Internet turned out to be “vaporware,” in large measure because skeptical physicians resisted its implementation.

Explaining physicians’ resistance to Internet technologies is a little more difficult. After all, today’s physicians are hardly opposed to technology on principle; physicians were early adopters of the personal computer as well as cell phones. Most physicians are actually highly Internet savvy: 97 percent have Internet access, with 71 percent spending time online daily. Modern medicine is for the most part exceedingly (perhaps excessively) high-tech, with new diagnostic and therapeutic technologies being introduced and adopted on a regular basis. Physicians’ continued reluctance to embrace e-health initiatives is clearly not a result of latent neo-Luddism, an inability to learn new technologies, or insufficient access or training.

One obvious explanation is a lack of economic incentives: in the current third-party payer system, physicians are almost never reimbursed for Internet-based activities. This is certainly a powerful disincentive. And yet reimbursement is rarely cited by physicians as their principal reason for avoiding the Internet. Rather, concerns about privacy, liability, and patient safety and well-being are described as being primary. Even allowing for a certain degree of calculated disingenuousness on the part of physicians, it seems clear that more than just economic factors have influenced their collective wariness of Internet-based medicine. A more complete and satisfying explanation of their behavior requires that we situate the history of physician resistance to the Internet in a larger economic, legal, professional, and ethical context. Doing so allows us to move beyond the simplistic economic and technological determinism that often dominates discussions about the history and future of Internet commerce.
Telemedicine
The influence of technological innovation on medical practice in the past century cannot be overstated. The introduction of new clinical tools for diagnosis and therapy as well as new instruments for scientific and biomedical research, the development of mass production techniques for pharmaceutical production, widespread improvements in sanitation, transportation, and public health infrastructure, and even the development of new survey and advertising technologies have all significantly shaped the burgeoning twentieth- and twenty-first-century health care industry. One of the unintentional side effects of the increased importance of technology in medicine, however, has been the centralization of medical practice around sites of technological innovation and capital investment: hospitals, laboratories, and specialized diagnostic treatment centers.27 This process of centralization and specialization has, in turn, led to problems of access and resource distribution, particularly among rural populations, the poor, and the elderly.

In order to counter the centralizing effects of high-tech, capital-intensive medicine, hospitals, medical schools, and government agencies began experimenting, in the late 1950s with the use of information and communications technologies aimed at expanding the reach of medical practitioners. These systems of telemedicine—quite literally “medicine at a distance”—allowed physicians to use telephone, videoconferencing, and remote-control technology to consult with colleagues and patients in remote areas. In 1959, for example, a group of psychiatrists at the University of Nebraska Medical Center made use of a campuswide interactive television network to link groups of off-site patients with on-site psychiatrists. Finding little difference in therapeutic efficacy or patient satisfaction between “real” and “virtual” consultations, in 1965 they introduced a production telepsychiatry system that linked via microwave the psychiatrists in Omaha with patients at the Norfolk State Mental Hospital, 112 miles distant.28 Funded by a grant from the National Institutes of Mental Health, the program lasted for six years and logged three hundred hours of clinical telepsychiatry sessions.

Over the next several decades telemedicine programs, typically funded through grants from government agencies, were tested in medical schools, state psychiatric hospitals, municipal airports, jails, and nursing homes as well as on Native American reservations.29 For the most part, these systems were used to provide high-quality or specialist medical services to rural or otherwise-remote areas. Although a broad definition of telemedicine did not imply the use of any particular communications medium—telephones, fax machines, radio, or even the conventional postal system could all serve as mechanisms for the provision of services—in the United States the focus has historically been on interactive video, which often required participating sites to install fixed, studio-quality video equipment.30 The high cost of such equipment—as much as $50,000 per installation, even as recently as 1995—limited
the applicability of telemedicine, and necessitated a “hub-and-spoke” topology that linked rural or otherwise-remote areas with an urban tertiary care center. Patients were still required to travel to suitably equipped medical centers, and the real-time demands of video-based telemedicine meant that the valuable time of consulting physicians had to be carefully coordinated in advance.

Perhaps because of this bias toward videoconferencing, or because much of the funding for experimental telemedicine came from NASA and the Department of Defense—both agencies having a particular interest in providing medical care to otherwise-inhospitable or inaccessible areas—the focus of telemedicine research has been on the provision of access where it was not available, rather than on cost-effectiveness. In 1997, a Department of Commerce study showed that despite there being more than 150 telemedicine sites in 40 states, only 5,000 patients were being treated remotely using telemedicine technologies. The majority of telemedicine occurred within a limited set of medical problem domains: radiology, cardiology, orthopedics, dermatology, and psychology, in that order. These specialties were either image or interaction oriented, and had traditionally used technology to operate at a distance. Perhaps most important, their remote contributions had been approved for reimbursement by most major third-party benefits providers. In any case, the broader promise of telemedicine for providing more mundane services on a cost-effective basis remained unrealized.

The emergence of the Internet as a more economical architecture for electronic communications promised an opportunity to transform telemedicine from the treatment-option-of-last-resort into the mainstream of contemporary medical practice. Not only was the Internet a lower-cost and more widely available network infrastructure for delivering telemedical services but its “store-and-forward” architecture helped solve the second most pressing problem for telemedicine: namely, the difficulties inherent in coordinating the activities of multiple, busy medical specialists. Instead of requiring these specialists (and their patients) to always gather together for “live” video consultation, physicians could gather lab results, radiological images, patient histories, and other medical records, and forward them to a multimedia consultation “folder” that a specialist could examine at their leisure. The specialist would add their interpretation to the growing folder, and a notification would be sent to the primary physician. Not only was this electronic mediated system of store-and-forward faster and less expensive than shipping physical documents but it did not require either physician to be present on a live television screen.

The potential of the Internet reinvigorated the telemedicine community. As early as 1995 NASA, along with private companies such as Inova Health Systems, began experimenting with pilot programs that used personal computers, inexpensive video cameras (Webcams in today’s parlance), and Multicast Backbone, an experimental...
videoconferencing-oriented subset of the Internet. In 1996, the National Library of Medicine announced the award of nineteen multiyear telemedicine projects intended to serve as models for the following:

- Evaluating the impact of telemedicine on cost, quality, and access to health care
- Assessing various approaches to ensuring the confidentiality of health data transmitted via electronic networks
- Testing emerging health data standards

These projects moved beyond the traditional tools and problem domains of telemedicine to include information dissemination, chronic disease management and home care services, systems for the management of patient records, and the use of “home-based personal computers connected to the National Information Infrastructure.”

The use of a public network to transmit medical information raised questions about security and privacy, however, as well as a potential digital divide in access to Internet-based health care. While in 1997 more than one-third of all American household had home computers, less than 15 percent were connected to the Internet. In addition, access to computers varied greatly by race, gender, and socioeconomic status; fewer than 10 percent of people with an annual income of less than $10,000 had home computers, only 1 to 2 percent of which were networked, while two-thirds of Americans with incomes over $75,000 had home computers, 60 percent of which were networked. Unfortunately, the former were the underserved population most in need of the benefits provided by telemedicine. And even the fortunate few with Internet access suffered from the “last-mile” problem that limited the speeds at which they could connect to network services.

The principal problem confronting telemedicine—in the early years of the Internet as well as today—was not technological or even economic. The problem was not even with patients, or patient access to the Internet. The real problem, again, was the physicians. Outside of a small group of specialists, physicians have proven extremely reluctant to embrace Internet-based telemedicine. In order to fully understand this reluctance and the many reasons for its persistence, it is necessary to first describe the fate of a second great hope of Internet-based medicine: e-mail.

**E-mail**

The practice of medicine has always been limited by geography—that is to say, by the ability of physicians to have physical access to patients. Traditionally this required the movement of physicians, since travel in the preautomobile era was too stressful or dangerous for patients. Physicians were therefore always generally willing to adopt new technologies of transportation and communication. This became particularly true during the nineteenth century as medicine became increasingly specialized, dependent on complex (and immobile) equipment for diagnosis and therapy, and centralized around
the hospital. The growth of cities, the emergence of railroad networks, and the introduction of the telegraph enabled individual physicians to practice medicine over large territories while still maintaining their ties to hospitals and other physician specialists.

As Alissa Spielberg has suggested in her insightful analysis of the use of e-mail in patient-physician communication, the invention of the telephone in 1876 along with its rapid integration into community and regional networks “marked a radical change in patient access to individual physicians.” Physicians were early adopters of the new technology. The first telephone exchange connected several Connecticut physicians to a central drugstore. Individual patients used the telephone to contact physicians in emergencies. Increasingly they expected immediate telephone access to their physicians, even in nonemergency situations. An 1878 advertisement from one physician noted that “he may be summoned or consulted through the telephone either by night or day.” While this ready access was perhaps a boon to some physicians and their patients, it could also become a burden. Some physicians felt that they were becoming slaves to their anxious patients. They also expressed concern about privacy (a real problem in the age of party lines and operator-assisted calls), reimbursement, a decline in professional standing, and the possibility that the telephone would lead patients to forego necessary physical examinations and even cause themselves harm by “misinterpreting muffled prescriptions.” In response to these issues, physicians began using the telephone more strategically, relying on intermediates to screen calls and assess their priority, and declining to provide a diagnosis based solely on phone-based information. Nevertheless, the ability of patients to interact with physicians over the phone from their own homes dramatically altered the nature of the physician-patient relationship, bringing with it increased expectations of access, immediacy, and privacy.

It is in light of this longer historical tradition of patient-physician communication that we can best understand the physician response to the growing popularity of e-mail. Physicians’ readiness to embrace the telephone as a tool for communication with patients has not been mirrored in their response to e-mail technology. Given the low cost, simplicity, and ubiquity (particularly among physicians) of e-mail, resistance to it is perhaps the most unexpected and seemingly inexplicable aspect of a larger pattern of resistance to Internet technologies.

At first glance, the use of e-mail for patient-doctor interaction seems to simply represent a subset of the larger topic of telemedicine. And using the broadest definition of telemedicine—again, the use of information and telecommunications to support medicine at a distance—this would indeed be true. But as we have seen, in the United States at least, telemedicine acquired in practice a specific and constrained set of socio-technical meanings: video rather than text based, dependent on expensive equipment and trained personnel, and as such limited in use to highly paid specialists rather than general practitioners. Electronic mail, on the other hand, was the most widely available, easy to use, and familiar of the new Internet-based technologies. While not every
patient had access to the Internet, the vast majority of those who did had access to e-mail, even if they did not have a permanent or broadband connection.

The use of e-mail in medicine was widely lauded in the popular and professional press for having “revolutionary” potential for restructuring traditional relationships in health care. The low cost and ready availability of e-mail promised to open up new channels of communication between all participants in the system: physicians, patients, benefits providers, hospitals, and pharmacies. E-mail would make physicians more accessible, and the intimate nature of the medium would strengthen relationships between them and their patients. At the same time, the asynchronous nature of e-mail would allow physicians to balance their workload and respond more thoughtfully to patient queries. Evidence suggested that patients might be more willing to discuss via e-mail sensitive topics that they might otherwise avoid in person. And by reducing the prevalence of unnecessary office visits, over- and underbooking appointments, and playing phone tag, the use of e-mail offered to reduce direct and overhead costs, personal frustration, and possibly even medical errors. Patients could potentially use e-mail to book appointments, obtain test results, ask minor follow-up questions, request repeat prescriptions, and submit charts for monitoring chronic conditions.

In fact, e-mail offered as much in terms of comfortable continuity as radical change; for patients and physicians already accustomed to communicating via telephone, e-mail seemed to provide incremental improvements to traditional medical care. Patients still had to work within the context of the third-party payer system, and despite having access in theory to a wide range of service providers and consultants, in reality most e-mail-based consultations would still have to be routed through one’s primary-care physician. And since these physicians had long been accustomed to interacting with their patients via telephone, it seemed quite natural that they would transition readily to e-mail. Anecdotal evidence suggested that using e-mail did not significantly increase a physician’s workload or reduce the number of in-office patient visits. And yet despite all this, physicians have consistently refused to communicate with patients via e-mail. At no point during the past decade has the rate of e-mail interaction between physicians and patients increased beyond 6 percent. This is despite the fact that national surveys show that as many as 90 percent of respondents would “welcome the opportunity to communicate with their doctors by e-mail,” with 37 percent indicating that they would be willing to pay for such access.

So why have physicians not yet taken to e-mail? The most frequently cited reasons are concerns about privacy, liability, maintaining standards of care, and being overwhelmed by a deluge of new work. The more cynical answer is that they have not yet figured out how to get paid for it. Reimbursement has been a traditional problem for telemedicine. Prior to the late 1990s, private benefits providers rarely had specific
policies about paying for telemedical services. The Medicare program did cover some services that did not require face-to-face contact, such as radiology (which explains in large part radiology’s prominent historical role in telemedicine initiatives). Although the 1997 Balanced Budget Act changed the reimbursement situation somewhat, it is still not clear where electronically mediated consultations fit into traditional reimbursement schemes.

Since the economic argument against using e-mail has such a powerful reductionist appeal, it is worth examining in some detail. There is no question that in a health care system dominated by third-party benefits providers, the reimbursement policies of these providers, private or public, have an enormous influence on the practice of medicine. Physicians make decisions about which patients to accept, which tests to order, and which therapies to prescribe based on what insurance providers are willing pay for. And it is not clear that these providers have much incentive to cover telemedical services of any sort, particularly e-mail-based ones that would be widely accessible, broadly applicable, highly likely to be utilized, and difficult to monitor. It is true that in 1999, the provisions of the 1997 Balanced Budget Act that increased coverage for telemedicine under Medicaid went into effect, but these provisions applied only to patients in federally designated rural Health Professional Shortage Areas, and deliberately excluded store-and-forward systems of participation. Only consultations in which a patient was “present” (via videoconferencing) would be eligible. In addition, although under the new system fees were split 75–25 between the consulting and referring physician, the accounting system used by the Health Care Financing Administration (as of 2001, the Center for Medicare and Medicaid) was incapable of handling split payments. Participating physicians would only receive a portion of the reimbursement, but would be liable for tax and auditing purposes for the total fee.

The situation improved somewhat with the passage in late 2000 of the Medicare, Medicaid, and State Childrens’ Health Insurance Program Benefits Improvement Act, which became effective October 1, 2001. This act greatly expanded coverage to include all nonmetropolitan statistical areas, and included in its definition of telemedicine not just professional consultations but also office and outpatient visits, medication management, and individual psychotherapy. It also eliminated fee splitting. It did not, however, explicitly include store-and-forward systems such as e-mail, with the exception of two federally funded demonstration programs in Alaska and Hawaii. The act also did not address some of the liability and licensure issues posed by telemedicine.

Although the rules for reimbursement as they apply to e-mail and other telemedical systems are complicated and constantly changing, the lack of clear guidelines does appear to have an inhibiting effect on their use in clinical practice. This is particularly true of e-mail, which often serves as a supplement to more traditional office visits or treatment regimes, as part of what are generally categorized as “case management”
activities. These activities include time spent on pre- or postservice patient management, coordination of care, and follow-up. Unless these case management services involve (well-documented) high-level medical decision making, they can be difficult to bill through to third-party payers.\textsuperscript{56}

And herein lies the rub: although it appears from the above evidence that it would be obvious that physicians would avoid using e-mail out of purely economic reasons, the same basic economic argument could also be used against the use of the telephone, a technology that physicians do use extensively. This is particular true of pediatrics, where as much as 20 percent of all clinical care and 80 percent of all after-hours care occurs over the telephone.\textsuperscript{57} And yet pediatricians, as well as most physicians generally, have reconciled themselves to the fact that time spent on the telephone, although often not directly billable, is an important component of providing high-quality medical care, maintaining patient relationships, and balancing workloads. And as was mentioned earlier, the available evidence suggests that e-mail interactions do not take more time or result in fewer office visits than do telephonic consultations. For those physicians participating in HMOs or other programs whose patients are insured under capitated contracts, avoiding office visits actually has positive economic benefits.\textsuperscript{58}

Other physicians are implementing mandatory “administrative” or “access” fees to cover unreimbursable services such as e-mail or telephone consultations.\textsuperscript{59} The point again being that relying overmuch on economically determinist explanations can be misleading. It seems clear that physician aversion to e-mail cannot be explained purely in terms of reimbursement. Nevertheless, when the lack of direct economic incentives is combined with other factors, such as legal and moral ambiguity, or concerns about status and authority, then this aversion becomes much more explicable. When considered within the larger context of practice, patient-physician relationships, and legal and sociotechnical systems, e-mail represents much more of an extension of older technologies of communication.

One of the potential advantages of e-mail over other forms of communication is that as a text-based medium, it is inherently self-documenting; that is, by its very nature e-mail becomes part of the medical record.\textsuperscript{60} This seemingly innocuous feature of e-mail differentiates it in fundamental ways from purely spoken forms of communication such as a telephone conversation, and has enormous implications for its use by physicians. E-mail not only enables but in fact demands a more detailed, thoughtful, and guarded response than a telephone call usually permits.\textsuperscript{61} This runs counter to the generally casual conventions of e-mail communication. Whereas for patients e-mail might appear impermanent and erasable, from the point of view of physicians they are permanent (often even when deleted) and, more significantly, legally discoverable documents.\textsuperscript{62} For some physicians the unique legal status of e-mail is a positive benefit, providing additional documentation that could be used to protect against malpractice suits.\textsuperscript{63}
Because e-mail correspondence automatically becomes part of a patient’s medical record, it also becomes subject to increasingly stringent requirements for privacy protection. Even prior to the passage of the Health Insurance Portability and Accountability Act (HIPAA) in 1996, which greatly extended the privacy rights of health care consumers, the burden to ensure patient confidentiality has always been borne by the record holder. Under HIPAA, e-mail messages that contain protected health information—both incoming and outgoing—are required to be secured. What exactly constitutes protected health information, or what technologies and procedures are necessary to protect this information, is unclear. The HIPAA provisions for e-mail went into effect in 2003.

Given that the Internet in general and e-mail in particular are notoriously open and insecure, the HIPAA requirements pose challenges for physicians. There are, of course, powerful encryption systems available that could be used to ensure privacy and security. But encryption technologies have not yet been widely integrated into the e-mail practices of the average Internet user. Requiring the use of cumbersome encryption schemes by patients seems to defeat the whole purpose of e-mail. Yet under existing regulations, physicians who use e-mail must take “reasonable precautions” to limit unauthorized access to electronic communications. Needless to say, the phrase “reasonable precautions” is both legally and technically ambiguous, especially as it applies to Internet-based commerce. The burden of deciding which precautions are appropriate as well as the financial burden of implementing and administering them appear to fall on individual practitioners.

Closely related to the problem of privacy is that of authentication. How can a physician be reasonably certain that the person who they are communicating with via e-mail is really who they say they are? How can a patient be sure that the person who responds to their e-mail is really their physician, and not a nurse, a physician’s assistant, an office manager, or even a complete stranger? Once again, it is possible to use technologies such as digital signatures to authenticate identity on the Internet. But the infrastructure for managing digital identities is not well developed, and is unfamiliar to most users. And even if online identities could be perfectly managed and authenticated, what would this imply for the work of medical practitioners? Physicians have traditionally managed their workloads using a variety of intermediaries. In the office, the work associated with a patient visit is divided among the front-office staff who triage patients and gather information, the nurses who perform routine evaluations and procedures, and the physician, whose actual interaction with the patient is frequently quite limited. Even telephone contact can be managed using a combination of answering machines or services, front-office staff, and nurses or physician's assistants. The unstructured nature of e-mail (as opposed to, say, a paper-based form) makes automatic routing or processing difficult, and in any case, the expectation is that an e-mail address to a physician will be responded to by that physician and not his or her support
staff. The wonderful convenience and directness of e-mail communication does not lend itself well to the traditional division of labor within medical practice.

For all of these reasons and more, the use of e-mail by physicians has not been widely adopted. What at first glance seems to be a straightforward progression from one set of communications technologies to another—this progression has occurred so naturally in other industries that it might reasonably expected to have happened in the health care industry as well—turns out in practice to be much more complicated than most observers anticipated. In many ways, e-mail is a very different technology for physicians than it is for their patients or other professionals. The characteristic features of e-mail—its intimate and casual nature, asynchronous mode, text orientation, and general lack of security and authentication mechanisms—acquire new and professionally significant meanings in the context of medical practice. In terms of physician-patient communication, e-mail is not a generic replacement for face-to-face encounters or even telephonic conversations; for these specific users in this specific context its specific characteristics are tremendously important. Obviously many of these features are incidental, historically contingent, and even socially constructed. One could easily imagine e-mail systems designed with different technological characteristics, operating in different legal and social contexts, and embedded in different sociotechnical and economic systems. But in the current system of clinical practice, third-party reimbursement schemes, privacy and medical malpractice legislation, and health care labor organization, e-mail as it is presently configured is a technology of questionable utility. At the very least, physicians on the whole do not at present find it useful and productive, and unlike many other users of Internet technologies, physicians are a powerful and well-organized group of users.

**Medicine and the Web**

The focus of this chapter is on the reluctant users of the Internet, and so my discussion of the health care industry has focused on individual physicians and their generally negative, or at least ambivalent, response to Internet-based telemedicine and e-mail consultation. But there are other players in the health care industry, some of whom seem to have adapted readily to the Internet. The WebMD.com health portal, for example, was mentioned earlier as one of the success stories of the Internet-based e-health revolution. In fact, the term e-health was coined in the late 1990s as an umbrella term to describe the broad array of consumer and health care provider activities—including but not limited to telemedicine and e-mail communication—that make use of the Internet, particularly the World Wide Web. In addition to capitalizing on the marketing buzz of e-commerce, e-health represents a shift in emphasis from the patient-physician relationship toward broader, industry-oriented systems and technologies, particularly those that linked business-to-business and business-to-consumer.
In many ways the story of e-health begins and ends with Jim Clark and his Healthenton start-up. Clark, the founder of Silicon Graphics and the cofounder of Netscape, was one of the media darlings of the dot-com boom of the late 1990s. In 1996, after retiring from Netscape and while being treated for a blood disorder at a Silicon Valley hospital, Clark reflected on the inefficiencies inherent in the fragmented, rigidly bureaucratized, and paper-based health care industry. Such a highly inefficient industry—particularly such a highly inefficient, $1.5 trillion industry—seemed the perfect candidate for Internet-based consolidation. As much as one-third of the waste in health care, he believed, could be almost immediately eliminated through the use of electronic clearinghouses.

Clark quickly drew a sketch of the various players in the health care market—patients, physicians, payers, and providers—and added in their midst a “magic diamond,” the key intermediary that would link all of these entities together in a seamless web of Internet integration. That same year he founded Healtheon to play the magic diamond role, and predicted that within a few years Healtheon would control $256 billion of the industry. Healtheon went public in 1998—and immediately collapsed as a result of the bursting of the dot-com bubble. The next year it tried again, and this time raised almost $1 billion in capital. In the first quarter of 2000, Healtheon lost $471 million.

Michael Lewis, in his book *The New New Thing: A Silicon Valley Story*, ably tells the story of the rise and fall of Healtheon. Lewis describes it as a tale of technology-driven hubris: a group of entrepreneurs and investors, none of whom knows the slightest thing about the health care industry, take on the largest and most complicated bureaucratic system in the world, and fail miserably in the trying. His story is quite correct, as far as it goes. But Healtheon is unique in that it survived the dot-com explosion. In 1999 it merged with WebMD (founded in 1998) to form Healtheon/WebMD, acquired several of its major competitors, and in 2005 was renamed Emdeon. Those of its competitors that it did not acquire either went bankrupt (for example, DrKoop.com in 2002) or were left by the wayside (in 2006, the WebMD portal attracted nearly three times as many hits as its nearest competitor, Microsoft’s MSN Health). Although at this point its business plan no longer resembled that of the original Healtheon, Emdeon had become a $1 billion business, the largest clearinghouse of medical claims, whose customer base included twelve hundred payers, five thousand hospitals, and three hundred thousand physicians.

The success of WebMD.com and other health information portals seems to indicate that at least some elements of the e-health program have succeeded. And indeed, recent surveys show that as many as 80 percent of all Internet users, particularly women, have used the Internet to research health-related topics. Users searched for information on specific diseases (66 percent), diet, nutrition, vitamins, or nutritional supplements (51 percent), health insurance (31 percent), alternative treatments or medicine
(30 percent), environmental health hazards (18 percent), experimental treatments and medicines (23 percent), and Medicare or Medicaid (11 percent), among other topics.\(^7\) Even more surprisingly, 58 percent reported using the Internet preferentially, meaning that they would use it before any other source, and only 35 percent said that they would look to a medical professional first.\(^7\) In addition to doing research, users are participating in health-related support forums, purchasing health equipment online, and ordering pharmaceuticals.\(^7\) Although there are debates within the medical literature about the accuracy and safety of Internet-based information sources, it is clear that the majority of Internet users access health-related information online.\(^7\)

What is not so obvious, however, is whether or not the use of the Internet for health-related research has fundamentally altered the structures or practices of the medical community. For instance, the WebMD health division, which runs the WebMD.com portal, although successful in relative terms, represents only a small fraction ($50.1 million) of the parent company Emdeon’s first-quarter revenues ($339.1 million) for 2006. Some of its revenue came from advertising and subscription fees (following the purchase of Medscape in 2001, WebMD Health is now the leading provider of online continuing medical education for physicians). Yet the majority of Emdeon’s revenue, however, derives from its electronic claim clearinghouse and practice divisions, both of which are largely based on technologies acquired through purchase and that predate the World Wide Web. Contrary to popular belief (at least among e-health enthusiasts), a large percentage of medical claims—45 percent of all commercial claims, 80 percent of Blue Cross claims, and 97 percent of all hospital claims to Medicare—were already being processed electronically well before the e-health revolution.\(^2\) They are just being processed using proprietary electronic data interchange systems rather than the Internet.

There is, in fact, little incentive for any of the major players in the current system to open up access to outside parties via the Internet. As J. D. Kleinke has suggested, the real reasons that it takes so long for medical claims to be processed has nothing to do with whether or not they are processed electronically, but rather with the network of state and federal regulations, insurance provider regulations, and fraud and abuse protections such as antikickback and Stark self-referral laws that make human intervention into claims processing inevitable. “The obstacles to achieving long-sought integration,” observes Kleinke, “have nothing to do with IT and everything to do with the modern health care system.”\(^3\) This is perhaps an overly cynical position, but it does highlight the legal and economic dimensions of health care reimbursement rarely taken into account by purely technologically oriented “solutions.”

In any case, the increased availability of health information on the Internet has not succeeded in opening up the marketplace for health-related services. Most Americans receive health insurance through their employers, and have limited opportunity to
choose between benefits providers. Within a given provider's network of physicians, consumers do have some semblance of choice, although this is constrained by the usual limits of availability, geographic distance, and so on. In this sense the lack of widespread access to telemedicine and e-mail consultations, and the physician's role in limiting such access, contributes directly to the larger stagnation of e-health initiatives. If the value of e-health is dependent on the existence of a robust network of services and information, the failure of individual elements of that network contributes to the failure of the entire network.

Concerns about privacy affect the potential users of e-health networks, albeit for slightly different reasons than those that preoccupy physicians. A recent study of Internet users found that three-quarters are concerned about the privacy of their health-related data; 40 percent will not allow their own doctor online access to their medical records; 25 percent will not purchase or refill prescriptions online; and 17 percent will not even go online to seek health information because of concerns about privacy. A number of highly public instances of health providers—including Global Healthrax, Kaiser Permanente, and the University of Michigan Medical Center—inadvertently revealing sensitive patient data, along with even more numerous security breaches among e-commerce firms more generally, have only heightened fears about potentially lax privacy standards. It is also not yet clear how, or even whether, the rigorous HIPAA standards that apply to physicians and other, more traditional medical providers apply to the intermediaries of the e-health network.

Finally, it is difficult in constructing any sober prognosis for the future of e-health to avoid running up against the brick wall of the third-party payer system. The private third-party benefits providers that pay for most medical care in this country have little incentive to rationalize or speed up claims adjudication. Like most insurance companies, they make money on the "float"—the pool of prepaid premiums that they invest prior to paying back out in claims. In addition, the developers of proprietary information technology systems have no interest in moving toward open Internet standards that might threaten the "lock-in" value of their particular offerings. We have already seen that individual physicians have little financial incentive to participate in e-health networks—and strong legal and ethical arguments against doing so. The only groups with a compelling interest in e-health services are entrepreneurial information technology firms and pharmaceutical companies. In 2005 pharmaceutical industry spending on Internet advertising, directly targeted at the many users searching for information about specific diseases and conditions, rose 30 percent to $53.9 million, while spending on television advertising remained the same. In a health care system whose "fundamental problems" already stem from "irrational consumer behavior, uneven patterns of utilization, and runaway costs," it is not clear what, if anything, this limited constituency for e-health development implies for the future of the Internet and medicine.
The Professor and the Internet

Of all the industries that have been fundamentally changed by the invention of the Internet, nowhere were these changes so early or so readily apparent as in higher education. Universities were early adopters of the Internet, and indeed, many core Internet technologies were developed by, or at least for, academic researchers. Three of the first four original nodes of the ARPANET, one of the precursors to the modern Internet, were located at universities.82 Many of the key figures driving the development of the ARPANET were university faculty.83 These faculty, and their graduate students, were instrumental not only in defining how the ARPANET, NSFNET, and Internet would be constructed but also in shaping how it would be used. E-mail, file sharing, and the World Wide Web were all developed and popularized at academic institutions.84 Until home broadband access became widely available, universities stood at the center of the Internet universe, and trained generations of software developers, entrepreneurs, and users.

Universities continue to serve as important centers of Internet activity. The vast majority of university students own their own computer (85 percent) and regularly go online (74 percent). Almost three-quarters use the Internet more than the library for studying and research. Students use the Internet to meet in virtual study groups (75 percent), socialize (95 percent), download music (60 percent), and entertain themselves (78 percent). Compared to the rest of the population, college students are more likely to use instant message, online chat, and file-sharing software. It is safe to say that students are perhaps the most active and enthusiastic of all users of Internet technologies.85

What is true of students is also true of their professors—to a more limited degree. Most college professors are also regular users of computer technology, with a surprising number (90 percent) having been early adopters (since at least 1994).86 Nearly two-thirds (60 percent) of faculty are online from four to 19 hours per week, and 40 percent twenty or more hours per week.87 Internet use among faculty varies by age, gender, and discipline, but is generally high and increasing.88 Faculty use the Internet to communicate with colleagues and students, do research, and to a lesser extent, disseminate knowledge and publish electronically.89

Given the widespread adoption of the Internet by both university students and their professors, why would we include professors in our discussion of reluctant users? The answer is that professors, like physicians, have embraced some uses of certain Internet technologies—e-mail, for example—but have rejected others, such as Web-based distance learning, electronic publishing, and course management software. That they have continued to do so in the face of considerable pressure from students, administrators, funding agencies, and legislators suggests that not only are professors selective users of technology but also that they have some power to resist the technological
and economic imperatives imposed on them by others. And as in the case of physicians, professors are an intriguing group of reluctant users because, for the most part, they make frequent use of the Internet in their personal and professional lives. The seeming pervasiveness of the Internet in the modern academy, however, conceals those aspects of scholarly production and distribution that have remained fundamentally unchanged by technological innovation.

It is important to note that there is perhaps no occupational group more difficult to generalize about than the university and college professorate. By definition, the members of this group are affiliated with a fairly limited range of institutional forms—either a research university or teaching college, or some combination of both—and presumably most share responsibility for some degree of teaching and research. Yet within the loose confines of academic society, individual disciplines often cultivate very different disciplinary cultures, values and reward systems, tools and methodologies, and increasingly even career paths. It is not always clear, for example, what, if anything, a tenured materials science professor at a major research university shares with a Spanish language instructor at a local community college. To make broad generalizations across institutions and disciplines even more difficult, one of the few academic values that does seem fairly universal is a tendency toward idiosyncrasy and iconoclasm.

Nevertheless, in this section I will seek to describe general patterns in the response of the professorate to the Internet. The focus will be on the faculty of traditional research universities and teaching colleges. Although in recent decades these institutions and their faculties have been challenged by a series of structural and demographic changes in higher education, including the rise of online alternatives, for the time being they remain the standard by which all other forms of higher education and academic teaching are evaluated.

E-mail

Without question, the most widespread use of the Internet by faculty is for e-mail communication. According to a recent study by Steve Jones and Camille Johnson-Yale, nine-tenths of all faculty access e-mail regularly at work, and an almost equal number also access e-mail from home. Many check their e-mail from multiple locations, and as large a percentage of faculty use wireless-enabled laptop computers to access the Internet as does the tech-savvy population in general. Only 14 percent of faculty reported that they check their e-mail only once per day—while almost a third do so almost continuously.90

One obvious faculty use of e-mail is to communicate with colleagues. As such, e-mail simply extends the traditional “community of letters” that has defined the academy for centuries. The significance of such social networks (or “invisible colleges,” as the historian Derek de Solla Price famously called them) has been one of the grand themes of the sociology of knowledge for decades.91 In addition, the use of e-mail listservs
makes e-mail the ideal tool for disseminating information among widely dispersed professional communities. E-mail also facilitates communication with students. This is in fact one of the largest uses of e-mail among faculty. Faculty communicate with students to make class announcements (95 percent), arrange appointments (97 percent), handle attendance matters (62 percent), discuss assignments (71 percent), and field complaints about classes and assignments (52 percent). Nearly 90 percent of college students have communicated with their professors via e-mail, and almost half (49 percent) initiate contact with their professors at least every two weeks. Two-thirds of faculty feel that e-mail has improved their communication with students, and nearly four-fifths of all students agree.

To the extent that e-mail does encourage interaction between faculty and students, though, it often does so by reinforcing existing social hierarchies. E-mail communication between faculty and students generally occurs within the context of the extended classroom (in which students are being graded), and faculty frequently have greater expectations of formality and respect than is conventional in e-mail communication. E-mail allows faculty to control the interaction, serving alternatively as a tool for establishing intimacy and a means of maintaining social distance. Students feel that they have access to faculty in new and unprecedented ways; faculty are relieved of the need to meet with students in office hours. In this respect, the particular technological features of e-mail suit the needs of professors quite effectively. Not only is e-mail easy to use and widely available but it is also text based and asynchronous. The former quality means that e-mail fits neatly into the existing work patterns and value systems of academia; the latter means that unlike the telephone or instant messaging, e-mail communication can easily be deferred, ignored, or delegated to others. Faculty have generally not adopted instant messaging or other chat-oriented technologies, which although superficially similar, do not offer the same benefits.

Cybereducation

If e-mail is the success story of the academic Internet, then the wired classroom is its greatest failure. Like the failure of e-health initiatives, that of universities to fully embrace Web-based educational technology represents something of a paradox. Once again, as was true with physicians and online medicine, university professors have played a central role in limiting the adoption of online instructional technology.

Since the advent of the networked computer and the microcomputer, analysts have predicted a computer-based revolution in the classroom. From Christopher Evans’s 1979 *The Mighty Micro: The Impact of the Computer Revolution* to Parker Rossman’s 1992 *The Emerging Worldwide Electronic University*, computer networks have always been seen as the vanguard of educational reform. The rapid emergence in the mid-1990s of the World Wide Web promised to accelerate and extend the revolutionary reach of
computerized learning. The Web also promised to make access to higher education universal, promote improved learning, and control rising costs. In the late 1990s, these costs had risen so dramatically that a National Commission on the Cost of Higher Education was drafted to help “lift the veil of obscurity” that lingered over college education. And Internet technology seemed the ideal answer to the problem. As Frederick Bennett declared in his 1999 *Computers as Tutors: Solving the Crisis in Education*, the use of such technology was imperative: “Schools can use technology more effectively, and for the welfare of students, teachers and the nation, they must do so.”

The seemingly sudden emergence of successful and lucrative online-oriented educational institutions such as the University of Phoenix appeared to confirm the early potential of instructional technology. By 1998 the University of Phoenix had become the nation’s largest private university, enrolling more than forty-two thousand students at sixty-five locations in twelve states and Puerto Rico. Perhaps even more important, it had become an educational e-commerce phenomenon: within three years of its going public, the stock price of the Apollo Group, which owns the University of Phoenix, split twice and tripled in price. Despite the fact that most learning at the University of Phoenix happens in a traditional classroom setting rather than online, the success of this and other educational technology-related initial public offerings encouraged a rush of online education initiatives, even among Ivy League universities. The most famous of these is MIT’s OpenCourseWare initiative, launched in 2001. The goal of OpenCourseWare, according to MIT, is to make its entire curriculum—lecture notes, assignments, discussions, and quizzes—available online.

The political, pedagogical, technological, and economic discussions that roil around the subject of Internet-based learning are too complex to summarize adequately here. As John Seely Brown and Paul Duguid have suggested, visions of the “electronic university” are part of a larger historical conversation about distance learning, the democratizing effects of education, the changing role of the university in industrial and postindustrial society, and the entry of for-profit enterprises into a traditionally non-profit educational environment. What is crucial for my purposes here is that despite the fairly substantial investment that was made in developing online course materials, the influence of such materials on the pedagogical practices of university professors has been extremely limited. While an increasing number of professors—particularly those in business, engineering, and medical schools—make use of digital images and presentation software in the classroom, there has not been a widespread shift toward using more revolutionary forms of online teaching resources, such as interactive discussion, computer-aided instruction, or even course Web sites. In fact, a growing number of faculty are concerned that their students spend too much time on the Internet and are looking for ways to limit access, at least in the context of the university classroom. These include bans on laptops, and the installation of “kill switches” that allow instructors to close off access to e-mail and the World Wide Web. This curious
retreat from the Internet revolution is in part due to concerns about plagiarism and other forms of cheating, but is largely a response to students using the Internet during class to surf the Web, e-mail their friends, and even watch videos.

There are a number of reasons why professors are reluctant to incorporate computers into the classroom. Some are intellectual or pedagogical in nature: professors are skeptical about the reliability of information available on the Web or are concerned about their students becoming overreliant on only digital sources. Still more are wary of being dragged into the business of technical support, or have concerns about spotty or unreliable classroom access to computers, digital projectors, and Internet connections. But the real reason seems to be the lack of professional or financial incentives. For many professors, particularly those at research universities, investments made in teaching can yield negative returns. What is valued is research and publication, not pedagogical innovation. Creating useful online teaching resources is time-consuming and expensive, and the constantly changing nature of the Internet means that such resources must be continually updated. And electronic publication, whether informally on a course Web site or more formally in an online journal, was (and is) in most disciplines not considered “real” publication when it came to tenure or promotion. To put it more succinctly, for most professors the costs of online teaching are high and the rewards are low.

Although in the late 1990s university administrators and venture capitalists still saw great promise in online education, the response among professors remained largely ambivalent. And then in fall 1998, the historian David Noble began circulating the first of a series of articles (later collected into a book, provocatively titled Digital Diploma Mills: The Automation of Higher Education). The impetus was an effort at Noble’s own institution, York University, that required untenured faculty to put their courses on video, CD-ROM, or the Internet, or lose their jobs. Then, according to Noble, these same faculty were fired and rehired, this time “to teach their own now automated course at a fraction of their former compensation.” In the meantime, the York University administration had established, in collaboration with a consortium of private-sector firms, a subsidiary aimed at the commercial development of online education. These actions precipitated a two-month strike by York faculty, who eventually won “direct and unambiguous control over all decisions relating to the automation of instruction.” A small and temporary victory, declared Noble, in a struggle whose “lines had already been drawn” between university administrators and “their myriad commercial partners” and those who constituted the “the core relation of education”—namely, students and their professors. York was not the only university mandating course Web sites and commercializing online education; the University of California at Los Angeles had recently launched its own Web-based Instructional Enhancement Initiative, which also required professors to post online course materials.
The push for online education was just another step in the long march toward the commercialization of the university, suggested Noble. The first step had been the development of correspondence schools in the 1920s—an effort also driven by the cynical demands of industry and university administrators. The second was the cultivation, in the late 1970s, of strong ties with commercial corporations—ties aimed at developing an infrastructure for conductive, lucrative, commercially viable research. The final step would be the commodification of instruction into mass-distribution, corporate-friendly electronic courseware. “As in other industries,” contended Noble (himself a well-known historian of industrialization), “the technology is being deployed by management primarily to discipline, de-skill, and displace labor.” By representing faculty “as incompetent, hide-bound, recalcitrant, inefficient, ineffective, and expensive,” administrators promoted instructional technology as a panacea, one allegedly demanded by students, parents, and the public.

Although the harsh tone of Noble’s Marxist polemic was off-putting to some readers, his essay clearly touched a nerve within the academic community. In an academic job market that had been constricting for decades, in which tenure-track positions were being increasingly eliminated and replaced by temporary adjunct appointments, the specter of technologically driven unemployment loomed large indeed. Even the true believers in the Internet revolution worried that many cybereducation initiatives were “top-down” efforts driven more by the desire to cut costs than by the real pedagogical potential of the Web. It was difficult to deny that many of the commercially driven initiatives that Noble had identified—including the York and University of California programs, the emergence of educational management organizations, and the formation of virtual universities—were very real phenomenon, and carried with them enormous implications for the work of university professors. These last initiatives, the virtual universities, were consortia of state governments, educational publishers, local employers, and high-tech firms. The largest of these, the Western Governors’ Virtual University Project, was quite explicit about its goal of circumventing the traditional university: “The use of interactive technology is causing a fundamental shift away from the physical classroom toward anytime, anywhere learning—the model for post secondary education in the twenty-first century.”

This transformation, made possible by “advances in digital technology, coupled with the protection of copyright in cyberspace,” would create a glorious future in which “an institution of higher education will become a little like a local television station,” as one of the consortium’s directors, then Utah governor Mike Leavitt, proudly declared. It was unclear for whom he thought this vision would be appealing.

Noble’s essay raised uncomfortable questions about the goals and purposes of Internet-based innovation as it applied in the classroom. Faculty began to wonder, perhaps for the first time, about who owned the rights to their classroom materials. For
decades universities had been assuming more and more control over the products of a professor’s research, but never before had control over course materials, syllabi, and lecture notes come into question. The legal issues involved are quite complex, and I will not discuss them here. The point is that for the first time, professors were faced with the real possibility that their courses could be taken from them. And in the strange economy of the academic world, courses are one of the few intellectual products that translate directly into income. For the most part academics do not get paid directly from the primary product of their labor, which is scholarly productions (books, articles, and conference presentations). Instead, in a process that Yochai Benkler calls “indirect appropriation,” these products are transformed first into a reputation, and ultimately (hopefully) into a tenured university teaching position. The teaching itself is not highly valued, but in a sense, this is what academics actually get paid for. It is certainly their only activity that translates directly into revenue.

In addition to this financial stake in traditional classroom learning, there are also powerful sociological and psychological factors why professors might be loath to cede control of the classroom. As David Jaffee has suggested,

The classroom institution has historically centralized power and influence in the hands of the instructor. When faculty walk into the classroom the learning begins; faculty are the source of knowledge; faculty communicate information and influence the students; faculty determine what will be taught, who will speak and when; faculty determine the correct or incorrect answer; and faculty determine when it is time for students to “stop learning” and leave the classroom.

And not only do faculty often insist on maintaining a dominant, authoritative role, but students frequently agree. One of the common objections to interactive or student-oriented assignments is that students want to learn from the expert, not from each other.

Finally, it is not at all clear that there is much of a pedagogical payoff to using technology in the classroom, or even whether such use results in tangible cost savings. Online-only courses are less expensive to administer, but are a sufficient number of students interested in taking such courses? A recent study showed that only 6 percent of students have taken online courses for college credit, and of those only half (52 percent) thought the online course was worth their time. The University of Phoenix has thrived not because it saves money by offering courses online but because it caters to the largely untapped market of noncollege-age, nontraditional, fully employed workers in search of professional advancement. For the vast majority of more traditional students, college is as much a social as an educational experience, and online universities offer little by way of coming-of-age adventure. As Brown and Duguid have suggested, universities serve valuable social functions that involve more than just the transfer of knowledge. These functions are difficult to re-create in an online environment.
For all of these reasons and more, the promise of the electronic classroom has thus far not been fully realized. Professors continue to successfully resist the use of Internet technologies, particularly the World Wide Web, that do not “count” in the academic credit system or that interfere (such as instant message) with more highly valued activities such as research.127

Indispensable Intermediaries

This last section describes a range of industries in which reluctant users have forced businesses to forego the use of the Internet for direct sales to individual consumers. In doing so, these businesses were unable to take advantage of one of the most compelling features of Internet-based e-commerce: disintermediation, or the elimination of intermediaries, distribution channels, and other barriers to “frictionless” commerce. Disintermediation was supposed to doom a host of distributors, retailers, wholesalers, and other intermediaries that stood between manufacturers, service providers, and customers. In some industries this process worked just as expected; witness the decimation of travel agents and independent booksellers described in the previous chapters. But in other key industries that seemed equally suited for direct-to-consumer Internet commerce, the real story is the “disintermediation that wasn’t.”128

Because of the diversity of firms and industries in which indispensable intermediaries have successfully resisted Internet commerce, this section will be broad rather than deep. Unlike the previous two case studies, my focus will be on general themes rather than detailed historical analysis.

Channel Conflict and the Internet

In 1995, the clothing manufacturer Levi Strauss & Company introduced a flashy new e-commerce site that included, among other things, the first use of animated graphics on the Web. In 1998, it began selling more than three thousand products directly to consumers. Two years and $8 million later, the site was quietly closed down. It is now no longer possible to purchase jeans online directly from Levi’s.

Just as you cannot purchase your jeans via the Internet directly from Levi’s, you also cannot go online to buy insurance from Allstate. Or motorcycle parts from Kawasaki. Or a Toyota Prius directly from Toyota (or for that matter, any automobile from any automobile manufacturer). Depending on where you live, DrugEmporium.com may be forbidden from selling you pharmaceuticals—even in states in which online pharmaceutical sales are perfectly legal. You can purchase tools online from Ryobi, but only at prices that are higher than those at the local Home Depot.129

The reason that you cannot purchase any of these products has nothing to do with a lack of technology or capital, high shipping costs, or state or federal regulations. The reason is that each of the products and companies listed above has voluntarily (with
the exception of DrugEmporium.com, which was forced by an arbitrator) agreed not to compete over the Internet with its real-world agents, franchisors, and distribution partners.130

Why have some businesses turned their backs on the most revolutionary promise of Internet-based commerce: the ability to eliminate intermediaries and interact directly with consumers? In most cases, it is because selling directly to consumers via the Internet causes conflicts with other valuable marketing and distribution channels. This is particularly true of businesses that operate on a franchise model; for the most part local franchisees are contractually guaranteed exclusive access to particular territories. In this case, Internet sales violate these exclusivity agreements, threatening the existence of an existing distribution channel. This is what happened with Drug Emporium, when local franchisees responded by suing the parent company. A similar suit has been filed against the tax services provider H&R Block. In the case of Drug Emporium, an arbitrator ruled in favor of the local franchises, and DrugEmporium.com was barred from selling directly via the Internet in certain markets.

Even when there is no formal contractual relationship barring companies from competing with existing distribution channels there are compelling reasons to avoid channel conflict. Automobile manufacturers, for example, have long cultivated strong relationships with their network of local dealers. These dealers serve several important functions for the manufacturers: they maintain the local inventories that allow consumers to view, test drive, and purchase vehicles; they allow immediate access to financing; and they provide long-term service and support. In short, dealers play an essential role in the marketing and distribution of products, and in fact assume a number of the costs and risks associated with automobile sales. If the manufacturers were to compete too directly with the dealers and put them out of business, they would have to re-create these local networks of sales and support in some other forms. Although consumers might have an interest in purchasing their vehicles directly on the Internet, neither the manufacturers nor the dealers have much incentive to do so. Some dealers are also franchises (and are therefore legally protected from competition), but for the most part such protections are simply not necessary; the business model itself is enough to deter Internet-based encroachment.131 Auto dealers have resisted any incursion of the Internet into the auto business—even manufacturer-provided information about options and pricing is seen as being detrimental—and thus far have greatly limited its disintermediating potential.

Even for companies with less direct ties to their distribution channels, the reluctance of distribution partners to participate in Internet-based sales and marketing programs can prohibit their implementation. In the case of Levi Strauss, it was conflict with retail chains such as JC Penney and Montgomery Ward that forced it to withdraw from e-commerce. When faced with direct competition from supplier-based Internet sites,
retailers respond by withholding information about sales and inventory, refusing to process exchanges, or threatening to remove products from shelves. Home Depot sent the Ryobi Group, which makes the Craftsman line of tools, a letter warning Ryobi not to undercut Home Depot prices on its direct-to-consumer Web site. Tower Records sent a similar message to the vice president of sales at Warner Brothers Records. In both cases, the retail chains were able to use their size and influence to control the ways in which the Internet would affect their businesses. Other, smaller retailers have not always been so successful.

Obviously, there are ways in which businesses can successfully use the Internet and still avoid channel conflict. The point of this section is to suggest that even in the realm of e-commerce, groups of reluctant users—in this case, marketing and distribution partners—have been able to shape the ways in which Internet technologies have been implemented and adopted. Once again, it is the details that matter: certain industries have adapted readily to direct-to-consumer Internet sales, often at the expense of intermediaries. In other cases, these intermediaries have shown themselves to play a much more significant and perhaps indispensable role in the distribution chain.

**Real Estate**

Residential real estate is another example of an industry that was expected to be entirely transformed by Internet technology. Real estate has traditionally been an industry dominated by intermediaries. In the previous chapter, Jeffrey Yost addressed the impact of the Internet on the real estate industry as a whole; this section will describe the ways in which a particular group of users—real estate brokers—have mediated and influenced this impact.

The average home purchase has historically involved at least sixteen participants: real estate brokers (for both the buyer and seller), mortgage brokers, bank agents, appraisers, inspectors, and title company researchers, among others. The transaction costs associated with such a purchase were significant—more than 6 percent of the total purchase price—most of which went to the real estate agents. If ever there was an industry ripe for disintermediation, it was residential real estate. Through its control of the Multiple Listing Service (MLS) database, however, the National Association of Realtors (NAR) was able to limit competition and maintain high rates of commission for its members. Like their analogues in the travel industry, real estate agents relied on their proprietary access to information to assure their central role in the transaction chain.

By the early 1990s, new technologies and markets were emerging that threatened to eliminate the NAR’s monopoly control of the industry. In particular, the increasing availability of Internet-based listings seemed to make agents irrelevant: “If buyers and sellers can sit at their personal computers and gather enough information about each other’s offerings—and even make offers—why should they pay an agent?” Industry
observers predicted that the Internet would have “profound” implications for the industry, and bring with it reduced commissions, lower incomes, and downsizing. In his 1996 *The Road Ahead*, Bill Gates himself declared that the real estate industry would be “revolutionized” by technology. Internet-induced disintermediation seemed imminent.

By the end of the decade, the Internet had indeed eliminated the real estate agent’s monopoly access to information about the housing stock. Sites such as Yahoo! Real Estate, MSN’s HomeAdvisor.com, Homeseekers.com, Homestore.com, and even the NAR’s own Realtor.com made MLS data widely available, and in addition provided visitors with data about neighborhoods, schools, taxes, and the cost of living as well as tools for financing and insuring a home.

And yet all of this new information made available by the Internet has had remarkably little impact on employment in the real estate industry. Although as Yost has suggested in the previous chapter, the average commission earned by agents has decreased slightly in recent years (from 5.5 to 5.1 percent), both the total number of real estate agents and their median income have increased steadily. Agents still remain central to the purchasing process, with Internet-based “for sale by owner” sales actually decreasing in the years between 1999 and 2001. Despite the widespread availability of technologies that promise what still seem to be gross inefficiencies in the traditional real estate market, real estate truly represents the disintermediation that wasn’t.

So how were real estate agents able to avoid the potentially negative effects of the Internet? Unlike university professors and physicians, individual real estate agents have little power in the marketplace. The barriers to entry in real estate are low, and the competition in most local markets is heavy. It would seem that although agents would be reluctant to embrace the Internet, they would have little control over whether or not, or even how, it might eventually be adopted in their industry.

To begin with, real estate is a complex product that does not lend itself well to Internet purchasing. Buyers might use the Internet to gather basic information about the location, lot size, price, and number of rooms, but other forms of information require hands-on, qualitative evaluation that can only be gleaned from an on-site visit. Homes are not like plane tickets, as one insightful observer has noted. Not only are they much more expensive, making the risk associated with an ill-informed purchase much more significant, but each home is also a unique entity. Even in hot markets, most buyers are still unwilling to purchase real estate directly over the Internet. Local agents are still able to provide value by gathering and presenting information that cannot be readily captured on a Web site listing.

Real estate agents have also been able to successfully transform themselves from purely information brokers into providers of “process support.” Real estate purchases are intricate legal and financial transactions, and real estate agents have become increasingly active participants in the transaction process.
Some business-to-business aspects are moving toward standards like XML to smooth work flows between, say, mortgage lenders and title insurers, but conceiving of the process as analogous to even car buying ignores the coordination and other roles played by a trusted party in a complicated, emotional, and large purchase.\textsuperscript{142}

By guiding buyers and sellers through a difficult process, agents add value beyond their ability to broker information about the housing stock. In this new role agents actually embrace information technology, because in this context it enables new forms of work rather than threatening monopoly control.\textsuperscript{143} Although cell phones and digital cameras have thus far been more useful to agents than the Internet, increasingly they are turning to e-mail and the Web for communications and marketing purposes (including the use of personalized information portals and blogs).\textsuperscript{144}

Finally, although individual real estate agents rarely have much economic or political power, NAR is well funded and influential. In many states, NAR has effectively limited attempts to create alternative business models in real estate—models that involve more than no-frills “for sale by owner” listings but less than full-service, agent-mediated transactions.\textsuperscript{145} As we have seen in Yost’s chapter, travel agents were not so effectively organized.

Conclusions

Although the Internet is increasingly well integrated into the modern commercial and communications infrastructure, its effect on American business is not always immediately apparent, at least in certain industries. Rather than dismissing these industries as being exceptional or their participants as backward neo-Luddites, this chapter has attempted to focus on their reluctance as a means of provoking a more nuanced discussion of the role of technological innovation in shaping American business practice. In fact, as we have seen, these reluctant users are perhaps not so much reluctant as selective: like most users, they are simply attempting to limit or influence the way in which technological innovation undesirably affects their work practices, professional authority, or individual autonomy. And so professors embrace e-mail but not instant messaging, and physicians use the World Wide Web but not e-mail. In both cases these are users with influence, and the ability to explicitly and successfully resist change. But as Nelly Oudshoorn and Trevor Pinch have recently suggested, all users matter: collectively considered, users “consume, modify, domesticate, design, reconfigure, and resist” technological innovations.\textsuperscript{146} This is particularly true of such an amorphous and protean technology as the Internet. And just as we must be aware that the selective users of the Internet have interests and agendas, we should recognize the same of enthusiasts and advocates. In this way we can better situate the commercial Internet in terms of a larger context of economic transformation, social change, organizational politics, and professional development.
Notes


5. See James Cortada’s chapter in this book.


9. Ibid.


24. Kleinke, “Vaporware.com.”


31. NASA and the Department of Defense provided hundreds of millions of dollars in funding for telemedicine.


33. Ibid.


35. Ibid.

37. Jones, “Telemedicine and the National Information Infrastructure.”

38. Although the initial cost of video-based telemedicine was quite high, there is evidence that overall cost savings could be achieved.


40. Quoted in ibid.


44. Spielberg, “On Call and Online.”


50. Ibid.


52. Kleinke, “Vaporware.com.”

53. Rural Health Professional Shortage Areas generally suffer from a shortage of primary-care providers.


55. Ibid.

57. Ibid.


60. Delbanco and Sands, “Electrons in Flight.”

61. Spielberg, “On Call and Online.”

62. Ibid.

63. Ibid. For others, this additional degree of accountability and potential exposure makes e-mail a risky proposition. See also Doreen Mangan, “Save Time and Patients with E-mail,” *Medical Economics* 76, no. 13 (1999): 155–159.


71. Fox, “Health Information Online.”


73. Ibid.


75. Kleinke, “Vaporware.com.”

76. Ibid.
77. Goldman and Hudson, “Virtually Exposed.”

78. Ibid.


80. Weintraub, “Will WebMD’s Healthy Glow Last?”


82. The University of California at Los Angeles, the University of California at Santa Barbara, and the University of Utah. The fourth was the Stanford Research Institute, which although not itself a university, is an academic research institution in its own right.

83. J. C. R. Licklider and Lawrence Roberts were on the faculty at MIT, Robert Taylor was at the University of Utah, and Leonard Kleinrock taught at both MIT and Stanford.


86. Even more surprising, a third report having used the Internet since the 1980s. See Steve Jones and Camille Johnson-Yale, “Professors Online: The Internet’s Impact on College Faculty,” First Monday 10, no. 9 (2005), available at ⟨http://www.firstmonday.org/issues/issue10_9/jones/index.html⟩.

87. Ibid.


90. Jones and Johnson-Yale, “Professors Online.” Only six of the twenty-three hundred respondents in their survey reported checking e-mail only a few times per week.


93. Jones and Johnson-Yale, “Professors Online.”

94. Jones, The Internet Goes to College.

95. Ibid.

97. Many students report that they feel more comfortable asking questions or discussing course material via e-mail than in person; Jones, The Internet Goes to College. On the other hand, an increasing number of professors are finding that this approachability comes at a cost: students are also more likely to use e-mail to provide excuses for absences, request extensions, complain about grades, and even harass or threaten their professors; ibid.


100. Frederick Bennett, Computers as Tutors: Solving the Crisis in Education (Sarasota, FL: Faben, 1999).


102. ⟨http://www.fastcompany.com/mcniche1032598.html⟩. As of 2005, the University of Phoenix was the largest private university in the United States, with two hundred thousand adult students enrolled, seventeen thousand faculty on staff, and $2.25 billion in revenues.


104. ⟨http://chronicle.com/free/v49/i15/15a03101.htm⟩.


113. Ibid.


117. ⟨http://www.firstmonday.dk/issues/issue3_1/noble/⟩.


137. Ibid.

138. Guidewire Group, “The Disintermediation That Wasn’t.”

139. Ibid.

140. Ibid.


142. Guidewire Group, “The Disintermediation That Wasn’t.”

143. Ibid.


145. Guidewire Group, “The Disintermediation That Wasn’t.”